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## Near East/South Asia Report

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10 April 1986

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## REGIONAL AFFAIRS

### VARIOUS ASPECTS OF ARAB AID TO AFRICAN COUNTRIES REVIEWED

Nicosia FALASTIN AL-THAWRAH in Arabic 8 Feb 86 pp 14-18

[Article by 'Ali Husayn: "Chedli Ayyari Opens the Arab-African File: We Have Offered Africa More Than the West -- But!"]

[Text] Israelis met oppressed Moslems in Kenya whose hope it was to go on pilgrimage to the holy shrine, and it helped them realize this hope! This bitter situation might be one of the reasons why Zionist Israel has been enabled to "go back to Africa," within earshot and sight of the perplexed Arabs, including people who are awaiting the attainment of a "strategic balance" with the enemy. How can this come about if we lose one position after another in more than one place in the world, and if they have helped America and Israel strike at the PLO?

The incident involving this group of Moslems from Kenya was related by Dr Chedli Ayyari, chairman of the Arab Bank for Economic Development in Africa, in the course of a lengthy conversation which FALASTIN AL-THAWRAH held on 9 January 1986, that is, after the emergency meeting of the league council held in Tunisia on 4 January 1986 and before the meeting of the permanent committee for Arab-African cooperation (held in Damascus on 15-16 January 1986).

The questions included the various positive features and failures of Arab-African cooperation, as he is a chairman of an organization which is in permanent contact with the black continent. He also spoke about SAMED's economic experiment in Africa.

100 Projects for the Bank

FALASTIN AL-THAWRAH: Where is the Arab Bank for Development in Africa now, eleven years after its establishment, relative to the goals for whose sake it was established?

Dr Ayyari: The bank was established in 1973 in accordance with the Algiers summit. The October war took place that year and African solidarity with the Palestinian cause manifested itself with the rupture of relations with Israel. For the first time there was a positive collective African position.

Another event was derived from that event, the leap in oil prices, which enabled the Arab oil countries to offer financial aid. The bank was founded.

The bank was requested to offer financial, and I can stress financial, aid to support development in Africa, and the sum of \$230 million was allocated to it at the outset. That was followed by increases, until its capital exceeded \$1 billion.

The bank began its activity in 1975, after its documents were completed, and in 11 years it offered about \$900 million, almost all its resources, to 40 non-Arab African countries. Through that, about 100 development projects in industry, agriculture and communications were financed in addition to technical aid and other urgent aid to remedy the problems of drought and famine.

However, the Arab Bank's role was not confined to direct financial aid. It had two other tasks:

First, to prompt other Arab bodies and funds to offer more aid to the African countries. Relations of cooperation and joint financing were formed between the Arab Bank and these funds, such as the Kuwaiti fund, the Saudi fund, the Abu Dhabi fund, the Iraqi fund, OPEC and the Islamic Development Bank. The bank was the bridge between these funds, indeed, more important than the direct role it played in offering financing, to the point where it was said that the bank was the Arabs' face toward Africa, and the Africans said it was Africa's face toward the Arab world.

Second, politically, because the bank bears the mission of Arab policy and is the best symbol of joint Arab action with Africa, which is joined in solidarity with us and with which we are joined in solidarity. The solidarity concerns some of the most cherished and serious of issues, the Palestine issue, and the issue of South Africa. This political link has caused the bank to assume a political responsibility, and it is in touch with the continent and the Arab and African ministers, in demonstrating the importance of this political mission. I consider that the bank has made large steps. Of course, there have been shortcomings, and the bank has not been able to summon up a larger share of Arab money for Africa. We would have wished the choice of development projects to have been better than the ones we chose. We would have liked to back Arab money up with Arab personnel and competent persons who would be firmly settled in Africa by means of the projects.

These shortcomings are not on the bank's part, but are one aspect of the shortcomings in joint Arab-African action in general.

#### The Missing Link

FALASTIN AL-THAWRAH: What are the reasons for these shortcomings?

Dr Ayyari: There are what I call the "missing links" in Arab-African cooperation, which are numerous:

First of all, the political link. In the past, we started with nearly total Arab-African solidarity. Then Arab and African society sustained tragedies,

setbacks and contradictions regarding the most important issues, which kept the African summits from being harmonious because of Arab problems such as the African issue (between Morocco and Algeria).

In addition, there were the Arab contradictions relative to the Palestine cause, which made the African countries wonder, What exactly do the Arab countries want from us? In addition to the scarcity of political meetings and visits between Arab and African leaders, political ties now have almost been severed, except for bilateral relations.

This has all created a crisis of political solidarity, and the resumption of relations between Zaire, Liberia and recently the Ivory Coast, and Israel, has resulted from that.

Second, a shortcoming in the scope of cooperation. In addition to the financial aspect, there was supposed to be cooperation in such areas as foreign trade, which is almost lacking, for some reasons, among them the Arabs' failure to pay attention to African markets and the African countries' failure to pay attention to Arab markets. The Arab private sector has not been interested in financing joint agricultural and industrial projects, and we have seen no attention on the part of the African bodies toward bringing in Arab money.

Third, non-economic ties, since cooperation was supposed to be strengthened in other areas, but cooperation has not taken place in the media area, and there are no ties between Arab and African media personnel. Cultural cooperation is lacking, as well as exchanges of visits among young people and workers, visits to universities and the giving of lectures.

The lack of such ties has caused cooperation to focus on a single element, the element of financing through money. This concentration has been unsound in itself, because whatever the financial resources available to the Arab countries, cooperation does not last when concentrated on financial remittances alone.

#### An Economic Summit

FALASTIN AL-THAWRAH: Where, then, is the solution?

Dr Ayyari: The situation requires a new evaluation at the highest possible level, at an Arab-African summit. Such a summit convened once in 1977, and the second one was supposed to convene in 1980. We are now in 1986 and there has been no summit. The Arab and African heads who are the decisionmakers must meet to discuss the file on cooperation and prepare for the second stage of cooperation and the programs we can follow in the future.

#### The Unanimity Complex

FALASTIN AL-THAWRAH: The lone Arab-African summit was held in Cairo in 1977. What is your view on the statement that there will be no Arab-African summit unless Egypt returns to Arab ranks, because Egypt is the sole Arab country which has an African policy?



Dr Ayyari: That is true, and when will Egypt return to the Arab fold?

Why, though, is a summit of 60 countries necessary? Why doesn't a mini-summit meet? Let it be at the level of the permanent committee on Arab-African cooperation, which consists of 24 countries (12 Arab and 12 African), in which there is balanced geographic representation and no problems exist in its composition or political balance. Such mini-summits are not anything new. In Europe such summits are held, and the seven industrial countries meet once a year.

Also, is it necessary that we be in agreement over all issues? Let us meet, and it is not important if we do not agree, because there are issues over which there is unanimity and issues over which that does not exist. Let us emerge from the unanimity complex.

We Have Offered More Than the West

FALASTIN AL-THAWRAH: What are the different features of the payment of Arab aid?

Dr Ayyari: If we take Arab aid to Africa, the sum computed is \$9.5 billion. This figure has been derived from Arab financing sources.

One can say that from \$800 to \$900 million are transferred annually from Arab to African bodies. These are substantial amounts, and, in relative terms, are greater than Western aid to Africa (measured by the national income of the Arab countries and the Western countries). This information has been drawn from Western studies. Therefore Arab effort is very important, and the Arab countries have been very generous. Then, who has this aid in itself gone to?

Incorrect statements have been made, but this money has not been wasted, because most of it has been in the form of development aid. The bank, alone, has 100 projects and the other funds have dozens of projects. In addition to the urgent aid we have offered to deal with the problems of drought, famine and hunger, we nonetheless are not happy about some remittances because some of the aid ought to have been directed in other ways.

No Islamization and No Arabization

FALASTIN AL-THAWRAH: What are the conditions of this aid?

Dr Ayyari: Arab aid is not connected to political alliances or the nature of political regimes, and we do not ask them to speak Arabic or be Moslem. The first Arab [sic] country to receive the bank's aid was Zambia, which is a non-Islamic country. Arab aid in general is unconditional. However, we have a single very reasonable condition, which is that they should not disburse Arab money to Israel, and Israeli companies operating in Africa should not benefit from it. This also applies to companies which deal with South Africa, because we do not differentiate between South Africa and Israel. They are two racist regimes which are not different in any way.

This has been our problem with Houphouet-Boigny, the president of the Ivory Coast. When I went to him, I and the secretary general (Mr Chedli Klibi), to offer \$100 million to finance a project and we told him, this is a gesture from the Arab countries, in spite of the tendencies toward Israel which we were familiar with on his part, we nonetheless had one request we had previously made of 40 heads of African states, which was, do not disburse this money on boycotted companies. He became irritated and said, "That is an infringement on sovereignty and dignity!"

But doesn't President Boigny know that Washington, for example, has an embargo on trade with Angola and Vietnam and that London put up a blockade around Argentina after the issue of the Malvinas Islands (the Falklands) and prompted the Western countries not to offer aid to Argentina?

The problems with some African countries are not ones of sovereignty, because we respect the sovereignty of all countries, but they must respect ours. We say that this cooperation is connected to crucial political issues, and we have a central cause, which is the Palestine cause.

It is relevant that an African country should justify the resumption of its relations with Israel on grounds that Arab aid is not enough!

It has been said that Houphouet-Boigny, and before him Mobutu (the president of Zaire), have claimed that the African countries severed their relations with Israel in 1973 because it occupied African territory. I have answered that by saying, "Why did these countries sever relations in 1973 and not 1967, when Israel occupied this territory?"

Is there any speech or statement on the part of any African president saying "We severed our relations with Israel for Egypt's sake?" They say, "This issue is related to Zionist and racist issues and racial discrimination." If Namibia gets its independence tomorrow from South Africa, will that mean that we should resume relations with it, or that our problem with it lies in its racism?

The question of some African countries' resumption of relations with Israel requires new movement, new consciousness and new contact from us. The more our position, that of us Arabs, with respect to the Palestine cause, "becomes liquid" and the more fragmented we become with respect to it, the more difficult our position relative to the Africans becomes.

African Money and Western Methods!

FALASTIN AL-THAWRAH: What do you consider the best method for investing Arab capital to be?

Dr Ayyari: Development in Africa is not just the Arabs' business. No matter what the financial resources might be, we, as Arabs, are not responsible for the drought or the famine, or the drain of African resources in the past. Development, basically, is the responsibility of the Western countries, for two basic reasons:

First, the historic political one, because it is the West that drained African resources over the course of centuries.

Second, real wealth, technological, industrial and agricultural wealth, is to be found in the West, not with the Arabs.

No matter what its financial resources might be, Arab-African cooperation is cooperation among "the countries of the South," and our African brothers must realize that, because any cooperation among these countries is limited in terms of its resources.

There was an upsurge in the money the Arab countries received which amounted to billions of dollars, but it was possible to use that only in the framework of the Western financial and monetary system. We are suffocated by this banking system. Consequently, financial resources have become the prisoner of this system, and this fact imposes itself on all the countries of the world.

It is true that the investment of money in Africa was not well done, but it would be wrong to say that these billions which the oil countries received ought to have gone directly to Africa because real cooperation lies in the strengthening of economic projects and responding to solving the issue of the refugees in Africa, for example.

What Is between Us and SAMID

FALASTIN AL-THAWRAH: In this context, what is your evaluation of the agricultural experience of the Organization of the Children of the Martyrs of Palestine, SAMID, in Africa?

Dr Ayyari: I would have liked to be familiar with this organization and its activities, but SAMID's activities are good and its reputation is good in Africa. However, we have not intensified our contacts with SAMID, which is a shortcoming on our part. To be truthful, SAMID's movement in the direction of the Arab Bank has been inadequate.

Palestinian brothers contacted me regarding SAMID, but no delegation from SAMID came to the Arab Bank, aside from some conversations and contacts.

Why don't they come from SAMID to the department of projects in the bank and hold a discussion on resources and capabilities?

I wish SAMID had had a major part in carrying out projects, because one of the great, grievous aspects of the inadequacy for which we are paying the price now is that the Arab human element has been missing in our projects in Africa. There is no project financed by the Arabs which any Arab is supervising.

A True, Bitter Story

FALASTIN AL-THAWRAH: Does this mean that Arab manpower and capital are capable of facing Zionist infiltration into the black continent?

Dr Ayyari: Indeed. Israel offers Africa not money but experts and technicians. Our projects which we suspended in Zaire and Liberia died because

they did not come up with alternative financing from America or from Israel. Even President Houphouet-Boigny, when he relinquished the project, said, "I do not want Arab money and I will go to the World Bank," but the project died because it could not come up with \$100 million at an interest rate of 4 percent with repayment over 25 years.

Why don't Arab personnel in the form of engineers, specialists, technicians, agriculturalists and industrialists go to Africa, work in the morning and meet Africans in the afternoon? The Israeli government invites a number of young Africans and provides them with vocational qualification. There are dozens of them studying in Israeli universities, not just from Zaire and Liberia but from countries which we consider very good friends, such as Guinea and Mali.

In Kenya I visited the port of Mombasa. There I met Moslem Kenyans of Arab extraction who said that they were oppressed and recounted that the Israelis had contacted them at some time and asked them "What is your wish in life?" They answered, "To visit the holy places." Israel offered them aid to go on pilgrimage to Saudi Arabia.

If we want to act again with respect to this cooperation, that will take place not through money alone, but rather through invasion of the African arena with personnel, not to spread the Islamic appeal and the Arabic language but to aid the Africans. If a Christian African asks us to build a church, we are ready to build it.

Am I the League's Agent?

FALASTIN AL-THAWRAH: The more conspicuous the issue of the African countries' determination to restore relations with Israel becomes, the more the issues of Arab-African cooperation go along with it. In ordinary times, these issues disappear!

Do you consider that one of the reasons for the lapse in some African countries' position arises, first of all, from the Arab lack of seriousness, and second of all, because there is no Arab policy toward Africa?

Dr Ayyari: In actuality, there is no Arab strategy toward Africa, or even a political or economic assessment, or even plan, contrary to what can be found in the West and Israel, where they have long-term plans. Breaking the isolation around Israel is thus part of the strategy of the United States and Western Europe.

At the time of the upsurge in oil prices, there were fears that there would be reactions among Arab countries if they carried out this strategy; when the power of oil and OPEC came to an end, it became easy for the Western countries to carry this diplomacy out without obstacles, and consequently Israel's return to Africa is more an achievement for Western diplomacy than a failure of Arab policy. However, that does not deny the Arab countries' responsibility for this lapse. The Arabs must study this political failure and realize how to cope with it in the future, bring the issue of Israel and Africa out of its narrow framework and put it in a framework of broad diplomatic activity.

We must, first of all, be aware of Africa's strategic heartland relative to us, and after that discuss our limited resources in any of the ways by which we can support our relations with Africa. Money is not the only foundation.

For example, there has been a bitter reproach toward the bank on the part of the Ivory Coast, and toward me personally, because we are the only organization which said, in the Arab and foreign press, that we have cut off aid from the Ivory Coast. When Zaire resumed its relations with Israel, I issued a decision from the Arab Bank severing aid from Zaire, but that was not my action. It was the action of the Arab League, and it must address itself to this subject. However, when I see no movement, what do I do? As far as the Ivory Coast goes, they do not even want to sever political relations.

When countries restore their relations with Israel, Arab countries maintain their relations with those countries, and the embassy of one Arab country or another is alongside the embassy of Israel.

Tomorrow, another country will decide to establish relations with Israel and we will challenge it and hold an emergency league council meeting and make a decision. It might be carried out and it might not be carried out. Even the credibility of Arab action has come to be in doubt.

There is a flight from these issues in a forward direction. Why don't we submit this issue to a summit of our African brothers?

'Adnan Al-Khashuqji

FALASTIN AL-THAWRAH: What viable measures are there regarding countries which resume relations with Israel? One should bear in mind that it is repeatedly being said that the measures such as those the Arabs took against Zaire and Liberia yielded no benefit. Indeed, to the contrary, private Arab capital investment in these countries increased.

Dr Ayyari: I am not sure of this, and I have no knowledge that private Arab money in Africa has increased. As far as Zaire in particular goes, 'Adnan al-Khashuqji contacted Mobutu regarding a sum of \$200 million in investments, but so far as I know (and God is all-knowing) this project was not carried out. Consequently, what has been said to the effect that private Arab capital has increased in the countries which resumed relations with Israel requires proof and investigation.

However, the question is still pertinent, that is, what would our reaction be if a greater number of African countries resumed relations with Israel? What would we do?

Would we hold league council meetings attended by a small number of ministers (such as the meeting held on 4 January 1986)?

We as a small organization cannot always declare that we have cut aid off from one country or another. Otherwise, we would ultimately shut down the bank. The subject must be put in its political context and requires a political decision first of all.

## Palestinian Security Expertise

FALASTIN AL-THAWRAH: Israel has interests in Africa and companies which control the economies of some countries. How does the bank deal with this issue?

Dr Ayyari: As I said, our basic condition is that the companies which carry out our projects not deal with Israeli companies, since the names of these companies pass through the boycott offices in Syria and Kuwait and after that we rule out the Israeli companies and South Africa.

The alternative to Israeli companies is to have Arab companies and Arab personnel. The Arab countries have experts in all areas.

For example, expertise in the area of security and the protection of property on the part of Israeli guards; the Arab countries can do this. You (Palestinians) have expertise in this; the security of a president of a given African state, X or Y, can be provided by Palestinians.

The Arab countries have expertise in the areas of industry, agriculture and so forth, but this expertise must be used in its political context and must be mobilized for Africa. The Israelis mobilize their expertise to work in Africa, and the Koreans mobilize thousands of their citizens to work in the Gulf.

## Observations on Live Aid

FALASTIN AL-THAWRAH: It has been said that one of the factors in the Arabs' failures in Africa is publicity or the media. The Live Aid program for example has made the whole world sense the issue of hunger, while the world has hardly heard of Arab aid in this area.

What is blocking the establishment of an Arab media agency which will be on the scale of Arab aid and investments?

Dr Ayyari: The issue of the media is related to the human element. Moreover, there is no Arab media policy toward Africa. The bank makes a modest effort in the media field, such as issuing studies and bulletins, but it cannot rush into the media field.

With respect to the issue of hunger, standing up to that requires the following elements:

The availability of foodstuffs in quantity and quality; this is not present in the Arab world but it is in the Western countries.

The provision of various transportation resources, from airplanes to trucks and trains, to bring these materials to the consumers in the African deserts. The Arabs do not have expertise in this area.

The provision of engineers specializing in urgent aid in the form of engineers, doctors, nurse and specialists in the food area. This is not present among the Arabs.

Therefore the issue of dealing with hunger is not one of money alone, and consequently one cannot reproach the Arabs on the subject of hunger.

#### The Arabs and the South of the South

FALASTIN AL-THAWRAH: In an interview which FALASTIN AL-THAWRAH (Number 577) had with him, Dr 'Abd-al-Hasan Zalzalalah (assistant secretary general for economic affairs of the League of Arab States) said that all Arabs are from countries in the south of the south. That brings us to the point that Arab-African cooperation lies within the context of the developing countries' conflict with the advanced countries.

What role can the Arabs and Africans can play, all together, in your opinion, in enriching the dialogue between the north and the south, and setting out a new international economic order?

Dr Ayyari: That is a very important question. I support Dr Zalzalalah 100 percent. Let us not forget that the Arab-African group, however diverse and varied its economic resources might be, remains a group of countries of the south, that is, a bloc of developing countries. Cooperation among the members of this group is essential, considering the limited financial and economic resources it can provide. However, in spite of this limited nature, these countries can cooperate by means of a model form of solidarity and give the developing countries as a whole a kind of standard of what cooperation among the countries of the south must be.

This group at the same time is facing the countries of the north. One should bear in mind that Arab-African cooperation did not in the past and will not in the future resemble an alternative to cooperation between the north and the south, and it is not a war that the Africans and Arabs are brandishing against the north. However, it is the greatest group in the third world in terms of numbers and strength. Let us employ the power we acquire through this cooperation to support the countries of the south in their causes with the countries of the north.

For example, the African countries are linked to cooperation with the Common Market countries. Every 5 years, they face the countries of Europe on the subject of issues which concern the renewal or strengthening of this cooperation.

Why shouldn't we enlist our political, economic and moral power to support Africa in Europe?

We do not want to take Europe's place as far as Africa goes, but we must strengthen the African position in its demands on such issues as oil, which is ammunition and wealth for the developing countries.

Tomorrow the African countries will be facing the West with regard to issues such as sugar, cocoa, copper, cotton and oils.

Now, the countries of North Africa are facing the market countries following the incorporation of Spain and Portugal into the European group. I wish that

the countries of the Maghreb, which we hope will face these problems as groups, not individuals, had been strengthened by a great Arab position and thus Western Europe's calculations would change.

Today, the countries of the Gulf Cooperation Council have problems in every market selling petrochemicals. Let us strengthen their position in marketing these commodities.

It will thereby be possible to enrich the economic, moral and political power of the countries of the third world in facing the countries of the north. If things proceed in this context, 60 Arab and African countries will become an economic force.

Why don't the Africans and the Arabs, each in turn, speak in this group's name on the subject of all internal and foreign issues?

This requires an Arab-African strategy which will lead to an economic and political plan linking the Arabs and the Africans in various issues, and consequently facilitating the development of decisions which will support the Cooperation Council countries with regard to petrochemicals, the countries of the Maghreb with regard to oils and oranges and the countries of Africa with regard to primary materials.

#### Facts in Brief

The Arab Bank for Economic Development in Africa was established (at the outset) in accordance with a decree of the sixth Arab summit conference held in Algiers (28 November 1973), carrying out the recommendations of the economic council of the League of Arab States at its meetings on 5 November 1973. The Arab Bank commenced its activities in March 1975.

The bank's headquarters are in Khartoum, the capital of the Democratic Republic of the Sudan.

The bank is a financial institution financed by the governments of League of Arab State member countries who signed the agreement establishing it on 18 November 1974 with the objective of contributing to the development of African countries belonging to the Organization of African Unity which were not members of the League of Arab States.

The bank's paid up capital initially was \$231 million, broken down into 2,310 par shares valued at \$100,000 each. The bank's capital in December 1984 came to \$988.25 million, after it was increased and the Loan Fund's resources (\$350 million) were incorporated into it.

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CSO: 4404/254



## EX-GOVERNMENT OFFICIALS IN PRISON LAMPOONED

Cairo AL-WAFD in Arabic 20 Feb 86 p 14

[Cartoon by Salah Shafiq: "One Moment, Please"]



Key:

1. We only need two more ministries and then we can form a government-in-prison!
2. You know what, pal, in a little while the cell will be packed, so make sure to allocate a lot of spaces.

[Key continued on following page]

3. Just a minute, man, I'll get the Deputy Minister to sign his mail and then I'll get back to you.
4. I took 150 million dollars and you took 5 million.  
When you're up to my standards, then you can talk to me.
5. Honorable Deputy Minister, the warden confiscated my cigarettes.  
Can you get them back for me?
6. Deputy Minister

/8309

CSO: 4504/231

REVIEW OF BUDGET FOR 1986

Beirut AL-IQTISAD WA AL-A'MAL in Arabic Jan 86 pp 78, 79

[Article by Yasir Hilal: "Austerity Plan To Confront Difficult Circumstances"]

[Text] The Moroccan budget for the current year is more of an austerity plan to confront economic circumstances that are worsening domestically and internationally, although the most important of these is undoubtedly the issue of foreign debts. For its part, the government is striving to achieve a difficult balance among an assortment of conflicting and urgent requirements, such as providing the allocations required to service the debt, maintaining reasonable rates of growth, dealing with the difficulty of increasing exports under current international trade conditions, and facing the difficulty of obtaining new easy terms loans in the face of continued drought in Morocco and the ebbing of the wave of economic revitalization in the industrialized states.

Under these circumstances, the Moroccan parliament approved on 23 December of last year the budget bill for 1986. Revenues were estimated at 55.42 billion dirhams, which is equivalent to \$5.773 billion. This represents an increase of 31 percent over the 1980 budget. Expenditures were estimated at 68.31 billion dirhams--which is equivalent to \$7.116 billion--representing an increase of 38 percent.

The prominent element of the new budget is the allocations for servicing the public debt in view of the end of the grace period for the loans from 1981. The allocations set aside for debt service total approximately 19.38 billion dirhams versus 10.75 billion dirhams in 1980, representing an increase of 80 percent, while just the interest that is due totals 7.1 billion dirhams. However, these figures do not reflect the results of the rescheduling agreements, which lead to a reduction in actual expenditures by approximately 12 billion dirhams.

Minister of Finance Abdellatif Jouahri speculated while presenting the budget bill to the parliament that the situation would lead to "a worsening of the status of the capital account in the balance of payments and a funding gap which will have to be covered by urgent means."

It would appear that these means are limited in advance to two alternatives:

First, a rescheduling for 1986, which Mr Jouahri described as an "absolute necessity." Despite the difficulties that surround the rescheduling negotiations, the Moroccan government appears to believe that it will achieve its objective in return for the least possible concessions based on the trend that took shape through the rescheduling agreement concluded with the governments in the framework of the Club of Paris and signed last 17 September, as well as the other agreement regarding payments due in 1983 and 1984 concluded with the banks in the framework of the Club of London and signed on 23 October.

The negotiations with the banks have already begun, and it is expected that, as in the previous negotiations, disagreement will center around the guarantees that Morocco will offer. The banks have asked that the Central Bank assume the role of guarantor, which Morocco has firmly rejected. On this matter, Jouahri stated: "These negotiations will not be easy, and we will not be less vigorous in defending the interests of the state. Nor will we allow our sovereignty to be impaired."

There is no doubt that the main stop in these negotiations is the meeting of the advisory group of the International Bank, which is to take place next June.

The second alternative is a call for new loans with easy terms, upon which the government is placing great hopes. Sources in the Moroccan Finance Ministry exhibit considerable optimism based on the promises made by the main lenders and on the positive results that have been achieved in the framework of the reorganization program, which led to a large reduction in the budget deficit and the current accounts deficit of the balance of payments.

Mr Abdellatif Jouahri pointed to the possibility that Morocco may obtain additional loans. He apparently bases this on the results of the meetings of the International Monetary Fund and the International Bank, especially those results pertaining to the initiative of James Baker which provides authorization for the commercial banks to allocate new resources estimated at between \$20 and \$30 billion over the next 3 years for the benefit of the states that are suffering most from debt problems. Morocco is considered to be among the 15 states that will benefit from this measure, in addition to the establishment of a special fund to assist the states located south of the Sahara, and finally the promise of additional funding opportunities for the International Bank.

Therefore, the balance of payments problem is linked in the long term to these two matters, despite the efforts that have been made to develop exports, income from tourism, and transfers from workers abroad. On the other hand, one positive indication is the decline in the treasury deficit from 12.3 percent of the gross domestic product in 1982 to 6.1 percent in 1985. Moreover, it is expected to reach 4.5 percent during the current year, without considering the sums due the government but not yet paid (payment arrears). As for the balance of payments, its current accounts deficit has declined from 11 percent of the gross domestic product in 1984 to 7.5 percent in 1985 and finally to only 8 billion dirhams in the current year.

The growth rate, which reached 4.8 percent in fixed numbers for 1985 compared to 2.2 percent in 1983 and 1984, is linked to a large extent to the growth of agricultural yields, which are basically tied to the cycle of drought. This sector saw record growth during the last season, reaching 14 percent compared to 2 percent in the industrial sector.

#### Major Budget Items

With regard to operational expenses (administrative expenses), allocations reached 22.1 billion dirhams versus 21.28 billion dirhams in 1985, representing an increase of 3.8 percent. Allocations for government worker salaries stand at 13.22 billion dirhams as opposed to 12.73 billion dirhams last year. This increase was allocated to cover the costs of creating 14,600 positions in the sectors of national defense, security, and education as well as 13,000 jobs in the local communities (the municipalities).

With regard to the capital investment budget, allocations in this area stand at 20.5 billion dirhams versus 12.28 billion dirhams in 1985, representing an increase of 67 percent. This increase is attributable to the fact that allocations for 1986 include allocations carried forward for incompleting projects. The aim of this is to avoid burdening the 1986 budget with new allocations that cannot be used, a situation which causes allocations to accumulate as happened previously. This approach also makes the total allocations more in line with the actual funding opportunities, and this will permit the government to meet its overdue obligations to local and foreign contractors.

It is worth mentioning here that the investment item for the current year is a link between the two 5-year plans, since the first plan for 1981-85 ended late last year while the second plan will not begin until the beginning of 1987.

One of the main projects that will be completed in the current year is the Dkheila and (Achourit) Dams. In addition, funds have been allocated for the construction of the Ait Youb Dam as well as the completion of the third phase of the Casablanca water project along with several highway projects. Some 1.5 billion dirhams has been allocated for the completion of the projects for the basic structures for the ports of Agadir, El Jorf Lasfar, and El Aaiun. As for spending on military installations, allocations for this purpose total some 1.76 billion dirhams. In addition, 200 million dirhams has been allocated for Sahara projects.

Some 5.6 billion has been set aside as a special budget, and 730 million dirhams for incidental expenses.

In this context, it is worth mentioning the parliament's approval of one budget item for tax reform pertaining to the value added tax. According to the government's expectations, this will lead to an improvement in the tax levy, and will thus contribute to a reduction in the budget deficit to the

specified level, which is 4.5 percent of the gross domestic product. This tax has four rates ranging from 7 to 30 percent. The minister of finance has indicated that it will bring about the elimination of double taxation and will simplify procedures. The system is expected to be put into effect during April.

8591/12795

CSO: 4505/205

EXTENT OF NATION'S TRADE WITH GERMANY REVIEWED

Rabat AL-'ALAM in Arabic 24 Feb 86 p 4

[Article: "Morocco-Germany: An Intensified Look at the Commercial and Financial Relations"]

[Text] Mr Genscher, the foreign minister of West Germany, visited Morocco last week. His discussions with Moroccan officials constituted an opportunity for people interested in Morocco-German relations to evaluate bilateral cooperation, especially in regard to economic considerations. The weekly bulletin of the Center for Economic Studies and Guidance cast a glance at commercial and financial relations between Morocco and West Germany, which we can summarize as follows:

Trade

Trade between Morocco and West Germany is not a haphazard thing. Its development occurred in a gradually progressing fashion, until West Germany came to occupy second place among our trading partners, with 5.5 percent of our total volume of trade with the outer world.

This trade is regulated by a number of agreements:

1. The agreement reached with the European Common Market in April 1976.
2. The economic and technical cooperation agreement of 24 November 1966.
3. The supplementary economic and technical cooperation agreement of 19 June 1969.
4. The shipping agreement of 25 November 1966.

In addition, a mixed committee is continuously monitoring these relations.

In the framework of the European market countries, Germany is considered our second partner, with 13.3 percent of our trade with this market in 1984.

As a customer, West Germany occupied fourth place in 1984 with 7.0 percent of our total exports.

As a supplier, it occupied sixth place, with 4.3 percent of our total purchases from abroad. However, our balance of trade with this country registers a chronic deficit; in 1984 this came to 93.3 million dirhams.

The rate by which our exports from this country were covered by our exports to it in the same year came to 93.5 percent.

Our trade deficit comes to 5.8 percent of the total deficit recorded with the European market for 1984.

The structure of our trade with West Germany shows the following:

1. Our purchases, which came to 1,437,000,000 dirhams, are represented only by half-processed materials and equipment goods.

2. On the other hand our exports to West Germany came to 1,343,000,000 dirhams in 1984. These included consumption goods (35.4 percent), foodstuffs (32.3 percent) and diverse primary materials (19.8 percent).

Among our exports to Germany we find carpets, citrus, phosphoric acid, copper, clothes, vegetables and canned fish.

It is worth pointing out here that Germany is considered a minor importer of Moroccan phosphate, since its purchases do not exceed 128.4 million dirhams, that is, 2.5 percent of our total sales of this commodity.

#### German Investments in Industry

As regards investments, Morocco and Germany signed a treaty on 25 November 1966 related to investment guarantees and on 7 June 1972 a side agreement to eliminate tax duplication on incomes and property.

Until 1980, German investments in the Moroccan industrial sector were extremely minor, not exceeding 21 million dirhams (approximately 6 percent of the total capital invested in industry and 2.5 percent of foreign capital).

At the beginning of the eighties, especially in the years 1981, 1982 and 1983, a tremendous increase was observed in German investments in Morocco, which came to 68.6 million dirhams. These investments started to assume an independent form, separate from Moroccan participation, and were more and more oriented toward export rather than responding to the requirements of the domestic market, which was previously considered the basic criterion for investment selection.

It appears that the 1983 law to encourage investments gave an important impetus to German investors. However, in spite of the tangible increase in German investments in Moroccan industry, these are still minor compared with what it had been expected they would come to.

#### 3. German Aid

German aid offered to Morocco occupies an important place in Moroccan-German cooperation. German loans granted to Morocco in 1984 came to 422.3 million



dirhams, as compared with 123.2 million dirhams in 1983, 230.3 million dirhams in 1982 and 137.9 million dirhams in 1981.

Since 1979, German aid has included the following projects:

1. The Safi chemical complex and the Gettara mines.
2. Improvement of the air security system.
3. Reconstruction of the port of Agadir.
4. Construction of the Tankisset, Abou Ragrag and Youssef Ben Tachfine dams.
5. The El Loucos project.
6. The electric generating center in Oued El Makhazen.
7. The expansion of the Larouche Nouar thermal plant.
8. The expansion of the SONACOS sugar mill.
9. Loans to the Construction and Development Bank.

In addition, the Agricultural Loan Fund.

#### 4. The Human Scale

Here it is necessary to point out that the number of Moroccan workers residing on German territory at present comes to 30,000; their number did not exceed 18,000 in 1973. This is in the context of treaties regulating the employment of Moroccan manpower in German territory which was concluded on 3 March 1966 and an additional agreement signed on 25 November 1966, as well as a treaty on social insurance which was signed on 25 March 1981.

However, there are more and more intensified efforts to limit the admission of new manpower. In another area, Morocco is receiving a significant number of German tourists, whose number in 1984 came to 144,361, that is, an increase of 11 percent relative to 1983 and five times that of 1960.

11887

CSO: 4504/203

AFRICAN TRADE UNION CONFERENCE DEBATES SAHARA STRUGGLE

Rabat AL-'ALAM in Arabic 15 Feb 86 p 1

[Article: "Our Brother Afilale, Following the Moroccan Union Delegation's Return from Accra: The Moroccan Flag Was Raised by Itself in Spite of Algeria's Attempts"]

[Text] At noon the day before yesterday, the Moroccan union delegation returned from Accra, where the exceptional conference of the Organization of African Union Unity met. This was of extreme importance in determining this organization's course. Our brother Abdel Razzaq Afilale, secretary general of the General Federation of Workers in Morocco, gave us the following statement on his arrival: "I attended this conference in the company of our brothers Mohamed Benjelloun, Ahmed Aflah and Mohamed Zahid. It went on for 3 days, that is, from the sixth to the eighth of this month. We reached Accra on 3 February, taking all contingencies into account. Indeed, I can say that the Moroccan delegation, which contained three unions, was up to the responsibilities placed upon it, since it held together as a unified delegation. We held a number of working sessions, consulted constantly and apportioned responsibilities.

"The difficulties which faced us were that the organization had been fragmented into two groups, a group which we supported because it was not subjected to any pressures aimed at accepting the so-called Polisario, because it is not a union organization and has no union organization, and a group which wanted to overthrow the former group, which bears the responsibility for the organization, due to a number of factors, among them:

"1. Algeria invited a group of delegations in the month of January to Algeria with the goal of drawing up a policy forcibly to impose its mercenaries and conspire against the organization.

"2. A number of foreign forces and international organizations are carrying out their activity to disrupt this organization with the goal of bringing back the elements which were prominent in the sixties, that is, the African union bodies which were disrupted by a number of international union movements until the Africans' dream of an organization which had its African ideology, as contained in its charter, was realized. This is not a matter to

be disdained. In addition, we find that the manipulation in this organization has been aimed at African economic interests by the instrument of the multinational corporations. This is what the president of the republic of Ghana, Mr Raw Langess, cautioned against at the inaugural session and it was also in the speech given to the conference by the president of the Senegalese republic, Mr Abdu Dyouff, which was read out by the Senegalese minister of works, and a number of people who inserted cautionary comments.

"3. At the Mogadishu conference held in 1984, a financial committee was formed, and, by means of this committee, which for the most part comprised the latter group, they tried to break up the leadership currently responsible for the organization. At this point the Moroccan delegation played a prominent role in thwarting this scheme and turning the balance in favor of African legitimacy and having Africa for the Africans, when the latter group felt that the application of the law, at the vote, would benefit its scheme, since the conference had given the committee the authority to establish membership with the goal of investigating the organizations that had the right to vote, which was founded on three conditions:

"1. The absence of a number of unions within the country.

"2. The organization's lack of membership in another international authority.

"3. Its payment of participation dues for the year 1984.

"When the voting was held within the committee, with a ratio of 13 votes to 11, the latter group found that it had been defeated. On the basis of this group's resolution at the Dakar meeting held on 27 January, it decided to withdraw. The first signatory country was Algeria. Since the conference had a quorum, the conference continued, the organization's executive office was elected, under the chairmanship of Libya, as it had been, and the office elected a member of the financial committee. Thus all Algeria's schemes, which had had the goal of overthrowing the chairmanship and secretariat general so it would be feasible for it automatically to impose its mercenaries, [failed].

"We were faced with a number of decisive facts, among them that the Ghanaian government recognized the agents. Therefore we found a seat set aside within the hall for the mercenaries and we found the agents' card, did not find the Moroccan flag hanging, and did not enter the hall until the seat was eliminated. The Ghanaian minister of works apologized to me as he withdrew the mercenaries' card and raised the Moroccan flag. We did not leave the agents any room to act there.

"It is worth pointing out that the mercenaries had previously presented the demand for membership and the executive office met on 17 January 1986 and agreed on a rejection. Another demand was then presented, although in an observer capacity, and the executive office met to study it on the morning of 6 January 1986. A rejection was made, as the study of the situation was suspended until the general council the coming year. I do not believe that that will take place now, following the withdrawal of the other line, which

joined my criticism, after it formed another executive office, but although the situation now has served our national interests, we, Africans, must assume that Africa has become less resistant to confronting the effects of a strange body and that the elements dominating Africa have started on their way toward breaking the African thrust. Africa started to destroy itself when it was not aware of the tricks and threats that were being devised for it."

11887

CSO: 4504/214

AGRICULTURAL COOPERATIVE WORKERS' OFFICE FORMED

Rabat AL-'ALAM in Arabic 11 Feb 86 p 4

[Article: "Compensation for Seniority; Execution of the Increases Stipulated in 1985; General Application of Supplementary Grants"]

[Text] The workers and employees of the Moroccan Agricultural Cooperative Company in Sale, Rabat, Roumani, Khomessat and Tafilet held their annual general meeting, chaired by our brother Mohamed Ghozlane, secretary general of the regional federation of the General Federation of Workers in Sale, in the presence of our brother Moulay Abderrahmane Driss, member of the central committee of the General Federation of Workers in Morocco.

Taking up the discussion at the beginning were our brother Abdallah Bourahim, member of the regional office in Sale, our brother Ahmed Joual, secretary general of the housing union in Sale, our brother Driss Zayat, person in charge of pieceworkers in Sale, our brother Bedoui Rahal, representative of workers in Khomessat and Tafilet, our brothers Miloud Tahari and Larbi Benhachim in the name of the Roumani workers and employees, and our brothers El Hadj Bama Khalafa and Mohamed Masmoudi.

All of the brothers expressed their appreciation of the work that had been done and the efforts made. They presented the problems and demands of the workers and employees, which can be summed up as follows:

The application of the principle of compensation for seniority in accordance with the stipulations of the company's charter.

The incorporation of all workers who have spent 7 years of work in the company's charter.

The payment of half a day's wage, to be deducted from the wages of a group of workers.

The replacement of workers handed over to retirement by new workers.

Payment of the supplementary grant on schedule.

Settlement of the financial and administrative status of employees who have been promoted to perform tasks greater than their previous ones.

Settlement of the status of the workers Zeitouni Zerwal, Bouya, Ali Farhat and Touhedji Salah.

Avoidance of the drop which has occurred in the rate of distribution of supplementary grants to grain inspectors.

The provision of a milk grant to workers in Roumani and Khomessat, same as to their brothers in Sale.

Execution of the increases stipulated in 1985 and their submission to the workers in accordance with the stipulation made in the government framework.

The general application of supplementary grants.

Following the comments by the people in attendance, our brother Mohamed Ghozlane gave a presentation in which he reviewed the stages their file of demands had passed through, the results obtained in their regard and the difficulties encountered. He urged the persons in attendance and the members of the offices in particular to make sacrifices for the sake of serving labor issues through insistence, awareness and determination, in order to improve their social, administrative and financial status and participate in their country's cultural and economic development.

At the end of the meeting, the people present elected a federal office representing the centers present and that also elected local offices in Sale-Rabat, Roumani, Khomessat and Tafilet.

Herewith are the members of the federal office:

Secretary general: Abdallah Bourahim.

His first assistant: Nadri Mahjoub.

His second assistant: Ahmed Joual.

Secretary: Miloud Tahari.

His assistant: Rahal Bedoui.

Rapporteur: Hajd Bama Khalafa.

Advisors: Driss Zayyat, Larbi Benhachim and Larbi Bentibi.

## INDUSTRIAL INVESTMENTS OVER PAST YEAR REVIEWED

Rabat AL-'ALAM in Arabic 17 Feb 86 p 3

[Article: "Allocation of 2,832,000,000 Dirhams to Industrial Investments in 1985"]

[Text] In its issue of February 1986 the twice-monthly magazine AL-TANMIYAH AL-SINA'IYAH pointed out that the industrial investments approved for 1985 came to 2,832,000,000 dirhams, covering 1,139 files, and that these investments provided 30,573 new job positions, that is, increases of 2, 10 and 9 percent, respectively, relative to 1984.

The magazine added that the financing of these investments required hard currency expenditures of 1,779,000,000, that is, 64 percent of the total amount, an increase of 6 percent in comparison with 1984.

Fifty-four percent of these investments will be covered by special allocations, 19 percent by National Economic Development Bank loans, 14 percent by other bank loans and 7 percent by mortgage loans.

The share of Moroccan private sector participation in these investments is 80 percent of the total amount invested, while the share of participation by foreign investors comes to 16 percent. The contribution of the private [sic] sector comes to just 4 percent.

The textile and leather manufacture sector is foremost among the sectors benefitting from these investments, with 29 percent of the number of files approved, 46 percent of the job positions and 27 percent of the total amount of investments.

The chemical sector occupies second place with 22 percent of the number of files, 16 percent of the job positions and 25 percent of investments, while the food agriculture industry sector comes in third place with a share that comes to 19, 14 and 24 percent, respectively.

The metal, machinery and electric industries sector comes in fourth place with a share of 13, 16 and 14 percent, then in the last place come organizations of an industrial nature and departments connected to industry, with

shares totalling 10 and 4 percent of the projects approved, 10 and 1 percent of the job positions and 9 and 1 percent of the total amount of investments, respectively.

In the regional context, in spite of the special benefits the new law gives investors residing outside Casablanca and its suburbs, the Province of Greater Casablanca has continued as in the past to occupy first place with 626 files, 15,561 new job positions and 1,404,000,000 dirhams in money invested, that is, 55 percent of the total number of projects, 51 percent of the job positions and 50 percent of the total amount for investments.

The Province of Rabat and Sale comes in second place, with 80 percent of the files [sic], 3,645 job positions and 191 million dirhams in investments, that is, a share amounting to 7, 9 and 7 percent.

It pointed out that the remaining areas of the kingdom together received 362 projects, 10,141 job positions and 1,075,000,000 dirhams in investments, that is, 32 percent of the number of projects approved, 33 percent of total job positions and 37 percent of the total investment amount.

#### Comparative Table for the Years 1984 and 1985

Sector	Files			Employment			Investments (Thousands of Dirhams)		
	1984	1985	Per-cent	1984	1985	Per-cent	1984	1985	Per-cent
Food Industry	208	222	+7	4,845	4,295	-11	552,776	671,918	+22
Textiles and Leather	270	326	+21	9,208	14,041	+52	717,046	780,913	+9
Chemicals	260	256	-2	6,162	4,893	-2	666,846	704,078	+6
Electrochemical Industry	201	183	-9	5,669	3,916	-3	583,294	395,265	-32
Organizations of an Industrial Character	86	109	+27	1,951	3,098	+59	250,234	253,857	+1
Departments Related to Industry	8	43	+438*	113	330	+192*	8,033	25,668	+220*
Total	1,033	1,139	+10	27,948	30,573	+9	2,778,229	2,831,669	+2

\*This is a matter of new activity encouraged by the 1983 law.



MINEWORKERS DEMAND WAGE HIKE, BENEFITS

Rabat AL-'ALAM in Arabic 19 Feb 86 p 5

[Article: "Meeting of the Mining and Major Service Company Workers: An Increase in Wages and Compensation for Transportation and Rents"]

[Text] On the basis of the general meeting held by the workers of the Mining and Major Services Company at the headquarters of the General Federation of Workers in Morocco, in which they studied their social and employment conditions in depth, they approved a list of demands including the following points:

A 20 percent increase in wages.

An increase in compensation for transportation to 200 from 96 dirhams per month and allocation of vehicles.

An increase in compensation for rent to 200 from the 96 dirhams per month allocated.

The employment of new workers through the employment board.

Respect for the dignity of workers and a limit to arbitrary practices followed against them.

The cleaning of showers, toilets and the sole storeroom and the effort to make additions to such facilities, in view of pressing requirements.

Copies of this request were sent to the leader of section 41 in the Mohamedi Ayn Sabaa section and the labor inspector in the third department of the same agency.

Since the company's management did not respond to the workers' desires, the union office sent a memorandum whose subject was to remind the management concerned of the abovementioned demands, especially since it had made numerous efforts to that end, but none of the attempts made had received an attentive hearing -- indeed, the supervisor of administrative affairs began to engage in hostile behavior against the workers by increasing the wages of

some workers, who are a minority, to the exclusion of the overwhelming majority, whose wages have remained frozen, resulting in the creation of an atmosphere of hostility in the workers' environment. The union office has insisted on the need to open a serious, responsible dialogue with the management to discuss the labor demands and limit the acts of provocation which constitute the fragmentation of labor unity, which have led to repercussions that could influence production. The labor office hastened to send copies of its memorandum to the agent of the Mohamedi Ayn Sabaa section, the regional delegate of the Ministry of Labor, the leader of section 41 and the labor inspector in the third department.

Is there serious activity on the part of the competent departments to set a limit to the harsh situation the workers of the mining company and major services are in?

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CSO: 4504/213

## BRIEFS

MASSIVE ISTIKLAL RALLY--Last Sunday the Istiklal Party branch in Tetouan organized a great mass meeting chaired by our brother Abdelkrim Gallab. In the course of it he analyzed the infernal colonialist policy which in the long range is aimed at setting out from Ceuta and Melilla to invade our country in a new manner with a developed style. Mr Gallab inflamed the enthusiasm of the people following his warning analysis and was interrupted by fervent emotions by which the walls of the theater were shaken. We will provide the text of the statement in a subsequent dispatch. Thus, the citizens' gathering in the Espagnole theater was not just the attendance of a heated festival of speeches; rather, it was more than that. Their presence was a position, their applause a promise and their cries an insistence and proof of a principle. The hall was swamped starting early in the morning and the celebration began only after the standees had become more numerous than the people seated. The clear statements shook them to the depths in view of the national feelings they harbored, which had been deeply buried and rose to the surface. The two words "Ceuta" and "Melilla" echoed in the hall dozens of times, and each time the enthusiasm became more pronounced, especially when Mr Gallab started referring to the Moroccan government's silence and negative considerations which had arisen from that silence, which it would not be easy to transcend. In addition, we might point out that many delegations had come to take part in this great event, not just from Tangiers, Chefchaoun, El Erayiche, El Kasr El Kebir and Founaidik alone but also from combative Ceuta. Everyone listened to our brother Mohamed Karkiche as he recited eloquent verses, then the branch secretary presented a statement in which he had prepared summaries of these people's experience with their territorial unity, mentioning the tragedy of the Moroccans in Ceuta and Melilla and the action the two cities awaited which would guarantee that they were liberated, enlightened by the statements and positions of our learned fighting men, such as Abdelkrim Khatabi, Allal El Fassi, Abdelkhalik El Triss and the symbol of unity, the late King Mohamed the fifth, may God rest him in peace. After the statement by the party branch secretary in Tetouan, the people present attended the statement by the member of the executive committee, our brother Abdelkrim Gallab, as we mentioned above. The meeting ended with the party anthem, which hundreds of people recited with effect and unparalleled enthusiasm. [Text] [Rabat AL-'ALAM in Arabic 18 Feb 86 p 1]

PARLIAMENTARY PRACTICES CRITICIZED--During the Marrakesh meeting the Istiklal group for unity and justice organized, the issue of the weakness of the

government's faith in democratic dialogue and its attitude toward the chamber of deputies as a subordinate agency which it tries to trivialize, whose role it tries to limit and the assumption of whose responsibilities it tries to prevent was raised once again. The fact is that this conception of the role of the chamber of deputies is what gave the 1983 and 1984 elections their fraudulent odor. The brother deputies, in their comments, condemned the disdain by which the issues they raise have been met, and the efforts of the meetings they request from some representatives of the official system, ministers or local officials, such as procrastination in setting schedules and evasion of accurate answers to certain written questions. The Istiklal deputies were concerned over the need to devote special attention to this matter which is connected to their adherence to following up everything related to everyday life and the requirements of upgrading the departments and regions. This is generally related to the conviction that the legislative authority and its members have a constitutional responsibility and legal inviolability which keep them apart from any subordination to the caprices of the executive system or secondary role that might be sought. This means that belief in the actual role of the parliamentary deputy challenges the falsification of the will of the masses and remains an essential focal point in a continuing struggle for the sake of sound parliamentary practice.

[Text] [Rabat AL-'ALAM in Arabic 19 Feb 86 p 3]

TOURIST ACTIVITY GROWTH--The tourist activity sector realized good results in 1985, achieving a growth of 15.1 percent relative to 1984. Entering Morocco were 1.5 million tourists, who spent 6.2 billion dirhams. An increase of 47 percent was recorded in revenues over 1984. If the drop in the dirham is taken into consideration, the increase ranges from 28 to 30 percent. Thus tourist activity occupied a position higher than that of the other sectors of export economic activity and even competed with the phosphate and phosphate products sector. The number of tourists who visited Morocco in 1962 came to 189,000. This number has now increased more than eightfold in less than 25 years. France remains the main country from which the large number of tourists comes (over 400,000), after which comes Spain (less than 200,000). An increase is also noted in the number of people coming from the Arab country group, which rose by 33.8 percent in comparison with 1984 (more than 202,000). Tunisia occupies first place among these countries (about 70,000 tourists). The number of people coming from Libya doubled, since 50,000 tourists visited Morocco in 1985. Meanwhile, the number of people coming from Arab Gulf countries was less than what tourist activity officials had expected. The number of American tourists dropped by 3.8 percent; 100,000 of them visited Morocco. In general, six markets cover 80 percent of the tourists coming to Morocco: these are France, the Arab countries, Spain, West Germany, Britain and the United States, as well as the Scandinavian countries. Half the tourists come by plane, while ships account for 15 percent of them. The Ministry of Tourism wants to enter into discussions with the maritime transport sector and the Ministry of Ocean Fishing and Shipping Trade to evaluate the possibility of stimulating marine transportation on behalf of tourist activity. Starting with the spring season, the Moroccan Shipping company (COMANAVE) will put a new passenger transport vessel into service; this will connect Agadir and Cite as a successor to the vessel Agadir. However, this seems inadequate for a real increase in the services maritime transportation provides people. In the context of the

accommodations structure, it is expected that the coming months will experience an increase in supply, because 93 hotels are in the process of being built and they will raise lodging capacity from 81,554 beds, as at present, to more than 110,000. There also are hundreds of tourist projects under study. In 4 or 5 years, lodging capacity will rise to 140,000 beds. [Text]  
[Rabat AL-'ALAM in Arabic 23 Feb 86 p 3]

SAUDI MANAGEMENT AID--In the context of joint cooperation between the Kingdom of Saudi Arabia and the Kingdom of Morocco, Mr Abderrahime Ben Abdeldjalil, the minister appointed by the prime minister assigned to administrative affairs, left Morocco on Friday for Riyadh on an official visit to the Kingdom of Saudi Arabia which will take several days. A statement issued by the ministry pointed out that this visit, which constitutes part of the framework of mutual cooperation between Morocco and Saudi Arabia in the area of administration, will make it possible to strengthen ties and enhance cooperation between the ministry and the Institute of Public Administration in Riyadh which is linked to the National School of Public Administration in Rabat by a cooperation agreement concluded on 11 May 1983. It is worth pointing out that a number of groups of Moroccan officials have completed training courses in the Institute of Public Administration, and a new class arrived in Riyadh Saturday. This is considered the ninth class since the approval of cooperation in the area of administrative training between the two countries in January 1984. [Text] [Rabat AL-'ALAM in Arabic 23 Feb 86 p 3]

COMPUTER PUBLICATION--The first issue of the national magazine of computer affairs, MICROLOS, was issued recently. This magazine, which is issued in Casablanca, has the goal of contributing to the effort to promote and acquaint people with computer affairs in Morocco. It will also seek to make up the deficiency which has arisen in the area of computer activities, which people working in the area of computer activities in Morocco are complaining about. The first issue contains a number of articles, among them the history of computer affairs and contracting and computer activities in the third world. [Text] [Rabat AL-'ALAM in Arabic 23 Feb 86 p 3]

CHEMAYA COUNCIL CONFLICT--Earlier, we referred to the status of the Chemaya collective council, which is embodied in the severe dispute which broke out among its members, causing the center to echo the problems the inhabitants are suffering from, which they hope that thought will be given to solving. These include the housing problem, which is going down a dead end, the worsening situation in Oued Harr, the problem of young people who are being drawn into a vacuum, the spread of unemployment due to the lack of job opportunities and the wretched situation the town is experiencing in the form of excavated roads, the spread of garbage and the lack of basic facilities,

such as a court, a hospital, athletic fields and so forth. This prompted the majority of council members to submit a complaint to the former agent of the Safi region on 13 July 1985, signed by 11 of the 21 members, demanding that an exceptional session be held to dismiss the chairman from his duties and elect a new board which would take charge of running this center, which has not witnessed any plans that have brought benefit to it since its board was elected. However, this demand did not meet with agreement, apparently, and the members rejecting the policy of the chairman and the people supporting him have continued to hold to their positions in spite of the attempts to keep the situation as it is. The result of course has been harm to the interests of the citizens, who number more than 20,000 persons, prompting the members again to submit another request to the agent dated 3 December 1986 [sic] signed this time by 13 of the 21 members. The inhabitants have followed the acts of the drama of the dismissal of the chairman and the people supporting him. Does one suppose that the majority of the Chemaya collective members' request for the dismissal of the chairman in accordance with Chapter Seven of the September 1976 edict related to the collective organization will be answered? [Text] [Rabat AL-'ALAM in Arabic 23 Feb 86 p 4]

AGRICULTURAL LOAN PAYMENT CAMPAIGN--With the start of the new year (1986) the agricultural loan organization agencies in the Agadir area have started to become active, organizing an extensive campaign, with the aid of policemen, against peasants dealing with local and regional agricultural loan funds who have failed to pay the debts that have accumulated against them in the recent drought years, in the course of which the rate of agricultural and livestock production declined and the peasants' conditions deteriorated because of the drought which afflicted the country's southern regions and resulted in the depletion of ground water and the drop in the water of the Youssef Ben Tachfine dam relative to the Massa basin, where irrigation activity has been definitively suspended. This campaign, which, up to the writing of this dispatch, is still continuing, has resulted in the sequestration of a group of pumps to bring groundwater up from wells and debtor peasants' vehicles used for such agricultural purposes as transporting production from villages and fields to local markets and transporting agricultural equipment and workers, which is subjecting an important part of the small farmers' production to damage and ruin. In the course of the escalation of peasants' protests and anxiety, Mr Ahmed Moti, the agent of the Agadir region, chaired an emergency meeting in the morning on 17 February at the headquarters of the chamber of agriculture in Agadir attended by the chairman and some members of the chamber of agriculture, the region's deputies in parliament, a representative of the peasants' loan fund, the heads of administrative departments in the region and a group of peasants. The peasants in attendance individually reviewed the obstacles which had prevented them from paying the debts in their entirety, demanding that they be given a grace period to pay off the debts they owed. The meeting ended with the issuance of a promise that a committee would be formed to study the status of each "denuded" peasant, as the current expression goes, on an individual basis, and to return the sequestered cars, vehicles and so forth to their owners as soon as possible. [Text] [Rabat AL-'ALAM in Arabic 25 Feb 86 pp 1,2]

URBAN YOUTH DRUG USE--For a few months the city of Moulay Driss Zarhoun has been experiencing a serious phenomenon which manifests itself in the frightful spread of drugs among young people of the city in particular. Exacerbating this phenomenon, the members of the local authorities are assuming a position of observers in regard to it, to the point where the people trafficking in narcotics are known to the citizens in general but are not monitored by the official departments. While drugs entail a risk to the health and the mind alike, their spread in this city, which enjoys a distinctive status in the spirits of all Moroccans, makes us wonder about the real reasons behind the neglect by which the local officials are facing this phenomenon, as they face other harmful phenomena. In any event, drugs continue to be an automatic reflection of the spread of unemployment and futility among young people, requiring serious intervention on the part of the officials to extirpate this phenomenon. [Text] [Rabat AL-'ALAM in Arabic 14 Feb 86 p 4]

CSO: 4504/214

## TUNISIA

### DEVELOPMENT BANKS EXAMINED

Tunis DIALOGUE in French 17 Feb 86 pp 30-33

[Article by Tahar Bourkhis: "Everything About Development Banks." Passages enclosed in slantlines printed in *italic*.]

[Text] In a previous article we wrote that development banks were going to be assigned new responsibilities and to experience greater growth. The innovation will consist in allowing the 10 existing development banks to receive deposits from the public. Minister of Finance Salah Ben Mbarek announced this change before the Chamber of Deputies on 3 December 1985. The government will submit a draft law in the near future, placing development banks and deposit banks on equal footing.

The government is doing this in an effort to make the banking system more dynamic in order to help the national economy.

In his speech to the deputies on 26 December last, Minister of Finance Salah Ben Mbarka urged the banking sector to increase its participation in the economy, especially since it was well equipped to calculate risks. The minister of finance specified that the purpose of this credit policy was threefold: To liberate savings and national resources; to finance economic development under better terms; and to preserve the financial balance. He added that, among the measures taken to help liberate savings, tax breaks would be granted to those who acquire shares in the projects promoted by the development banks.

Let us recall that the functions of development banks consist in creating enterprises, participating in the capital of existing enterprises and granting middle- and long-term credits from their own funds or from resources originating from equally long-term loans.

Tunisia has currently 10 development banks, 8 of which created beginning on and after 1981. They are: The Bank for the Economic Development of Tunisia (BDET); the National Bank for Tourist Development (BNDT); the Tunisian-Kuwaiti Development Bank (BTKD); the National Bank for Agricultural Development (BNDA); the Arab Maghreb Cooperation Bank (BCMA); the Tunisian-Saudi Investment and Development Company (STUSID); the Tunisian-Qatari Investment Bank (BTQI); the Tunisian-United Arab Emirates Investment Bank (BTEI); the Beit Ettamouil Essaoudi-Ettounsi (BEST); and finally a recently created bank, the Tunisian-Libyan Development Bank, which has not yet published a financial report.



In addition to the capital which they bring to the Tunisian economy, the development banks with foreign participations, especially Arab, are trying to originate transfers of technology, and projects in keeping with a market broader than that of Tunisia. Because of this, they tend to promote industrialized projects and those calling for sub-contracting.

In order to get an idea of the importance of these development banks, we analyzed their financial reports and their operating accounts for 1984.

As of the end of December 1984, the total amount injected by the development banks into the Tunisian economic system came to 612 /million dinars,/ in the form of middle- and long-term credits (420 million), participations (117 million) and investments in other banks (74 million).

#### Credits

As of the end of December 1984, the total amount of credits granted by the development banks reached 420 million dinars, 43.9 percent of which by the BDET, 19.7 percent by the BNDT, and 19.8 percent by the BTKD, or 83.4 percent among these three banks. Let us note the importance of the BDET contribution to the national economy.

As a means of comparison, let us recall that credits granted by the commercial banks amounted to 2,108 million dinars. (See table 1)

Table 1  
Middle- and Long-Term Credits

BDET	184,414,618	43.9%
BNDT	83,194,041	19.8%
BNDA	3,872,121	0.9%
BTKD	83,408,341	19.8%
BCMA	None	
STUSID	33,226,120	7.9%
BTQI	9,052,269	2.2%
BTEI	13,058,746	3.1%
BEST	11,438,370 dollars	
	9,951,381 dollars	2.4%
Total	420,257,637	

#### Participations

The amount used to acquire shares in the capital of enterprises was 117 million dinars; the STUSID provided the largest share, 29.6 percent; the BDET, 21.9 percent; the BNDT, 21.1 percent; and the BTKD, 18 percent; or 90.6 percent among the 4 institutions.

In comparison, the deposit banks used only 53 million dinars for participations.

The importance acquired by the development banks in the matter of participations, and therefore the promotion of economic projects, may be gathered from these figures. (See table 2)

Table 2  
Participations

BDET	25,773,395	21.9%
BNDT	24,836,208	21.1%
BNDA	843,000	0.8%
BT KD	21,186,725	18.0%
BCMA	1,624,006 dollars or 1,412,885 dinars	1.2%
STUSID	34,785,525	29.6%
BTQI	4,951,500	4.2%
BTEI	2,459,500	2.1%
BEST	1,410,685 dollars or 1,227,295 dinars	1.0%
Total	117,526,031	

#### Own Funds

The own funds of the development banks have reached 480 million dinars with 447 MD [million dinars] in the form of capital, 14 MD in the form of deposits and 19 MD in the form of reserves.

The BDET share is only 6.25 percent and that of the BNDT, 4.80 percent. The largest percentages fall to the BT KD with 23 percent, the STUSID with 22 percent, the BTQI with 14.75 percent and the BTEI with 10.66 percent.

The own funds of the development banks (480 MD) are larger than those of the commercial banks which only amount to 246 MD. (See table 3)

Table 3 - Own Funds

	Capital	Deposits	Reserves	Own Funds	%
BDET	20,500,000	9,037,854	586,023	30,123,877	6.25
BNDT	20,009,305	1,610,523	1,345,787	22,965,615	4.80
BNDA	30,000,000	116,164		30,116,164	6.25
BT KD	100,000,000	2,662,000	7,967,262	110,629,262	23
BCMA	40,000,000 dollars		1,818,417 dollars		
	34,800,000 dinars		1,582,022 D	36,382,022	7.60
STUSID	100,000,000	443,371	5,586,070	106,029,441	22
BTQI	70,000,000	64,000	796,754	70,860,754	14.75
BTEI	50,000,000		1,245,576	51,245,576	10.56
BEST	25,000,000 dollars	24,928	149,952		
	21,750,000 dinars	217,437	130,458	22,097,895	4.6
Total	447,059,305	14,151,349	19,239,952	480,450,606	

## Debts of Development Banks

To finance their obligations, development banks used funds totaling 423 MD, originating from their clients' deposits, and special resources. Close to 50 percent of this amount, or 214 MD, was used by the BDET, followed by the BNDT, with 26.7 percent, and the BTQI, with 12.5 percent. (See table 4)

Table 4

### Debts (Resources and Deposits)

BDET	214,056,364	50.5%
BNDT	113,136,605	26.7%
BNDA	4,378,699	1.0%
BT KD	18,095,221	4.3%
BCMA		
STUSID	5,988,232	1.4%
BTQI	53,101,156	12.5%
BTEI		
BEST	17,116,792 dollars or 14,891,609 dinars	3.5%
Total	423,647,886	

### Totals of the Balance Sheets

By adding the balance sheets of the nine development banks under discussion, a total of 963 MD is reached. The highest total is that of the BDET with 26.9 percent. The BNDT, BT KD, STUSID and BTQI reached approximately the same totals or, respectively, 14.4 percent, 14.3 percent, 13.2 percent and 13.3 percent.

The 963 MD figure is far removed from the 5,237 MD amount achieved by the deposit banks. (See table 5)

Table 5

### Balance Sheet Total

BDET	259,505,537	26.9%
BNDT	138,772,193	14.4%
BNDA	35,431,879	3.7%
BT KD	137,367,685	14.3%
BCMA	43,738,123 dollars or 38,052,167 dinars	3.9%
STUSID	127,949,706	13.2%
BTQI	128,376,899	6.0%
BTEI	57,384,125	
BEST	47,273,218 dollars or 41,127,700 dinars	4.3%
Total	963,968,091	

## Turnovers

The total turnover of the nine banks was 81 MD. The BDET realized 32 percent; the BEST, 25.6 percent; the BNDT 14.5 percent; and the BTKD, 11.3 percent.

With regard to the BEST, let us note that, if its turnover is rather large, it is because it includes a large share of transactions on goods called /Mourabha/ operations.

The total turnover of the commercial banks amounted to 258 MD. (See table 6)

Table 6

### Turnovers

BDET	25,967,140	32.0%
BNDT	11,745,846	14.5%
BNDA	1,383,314	1.7%
BTKD	9,132,327	11.3%
BCMA	1,266,891 dollars or 1,102,195 dinars	1.3%
STUSID	6,269,904	7.7%
BTQI	2,774,892	3.4%
BTEI	1,986,457	2.5%
BEST	23,821,537 dollars or 20,724,737 dinars	25.6%
Total	81,086,812	

### Benefits

The total net benefits of the nine development banks amounted to roughly 20 /million dinars./ The BTKD took the lion's share with 6 million dinars or 30.5 percent of the total. It was followed by the STUSID with 23.2 percent and the BNDT with 11.4 percent. The BDET only earned 1.6 million dinars or 8.2 percent.

/It is instructive to note that the 10 commercial banks currently in existence earned less profits (nearly 19 MD) than the 9 development banks, 7 of which which are no more than 4 years old, the result of unquestionable performance on the part of development banks./ (See table 7)

### Employees

The total number of people employed by the development banks was 650 as of the end of 1984. The BDET employs the largest number of people with 220 employees, or 34 percent, followed by the BNDT with 99 employees, or 15.3 percent, the STUSID with 82 employees, or 12.6 percent, and the BTKD with 75 employees, or 11.6 percent.

Let us note that the 10 [sic] banks which have the largest number of employees are the oldest ones, namely, the BDET and the BNDT.

As a means of comparison, let us note that the commercial banks have 9,074 employees, or 14 times as much as the development banks.

#### Number of Employees

BDET	220	33.9%
BNDT	99	15.3%
BNDA	34	5.2%
BTKD	75	11.6%
BCMA	18	2.8%
STUSID	82	12.6%
BTQI	45	6.9%
BTEI	42	6.5%
BEST	34	5.2%

Total 649

Table 7

#### Profits

BDET	1,630,907	8.2%
BNDT	2,270,822	11.4%
BNDA	577,744	2.9%
BTKD	6,069,697	30.5%
BCMA	747,484 dollars or 651,181 dinars	3.3%
STUSID	4,601,956	23.2%
BTQI	1,564,198	7.9%
BTEI	1,211,593	6.1%
BEST	1,478,712 dollars or 1,286,479 dinars	6.5%

Total 19,864,577

#### Conclusions

In reviewing all the figures quoted, let us conclude that it is in Tunisia's interest to reinforce the power of the existing development banks and to encourage the creation of other similar institutions. Their interest is obvious. They put in circulation large capital in the form of participations in the capital of economic enterprises, credits and investments and this, thanks to their own funds and their loans raised on the Tunis and foreign markets.

/The development banks are in a good position to substitute for the state in the promotion of certain productive investments./

Furthermore, the experience of these past 4 years showed that investments and credits realized by the nine existing development banks are amply profitable. As a matter of fact, at the end of these 4 years, they made more profits (20 MD) than the ten commercial banks (19 MD) which are more than 15 years old.

6857

CSO: 4510/78

## TUNISIA

### BRIEFS

AGRICULTURAL PROJECTS FOR WORKERS--Contributing to the effort made to reintegrate the workers expelled from Libya, the minister of agriculture sent memos to his regional services requesting them to help the returning agricultural workers to find employment, once again, in farming and to give them first priority in the agricultural projects. The agricultural department already helped 1,535 workers, hailing from the various governorates, find work in livestock breeding, apiculture, large-scale farming, irrigated farming, greenhouse farming and arboriculture. Let us note that the total amount of funds allocated to these workers through the Special Agricultural Development Fund (FOSDA) and the supervised projects amounted to 3 million dinars. Let us also note that this agricultural reintegration continues. [Text] [Tunis LE TEMPS in French 20 Feb 86 p 3] 6857

CSO: 4519/78

ISRAEL

ANANDA MARG CULT MEMBERS DEPORTED

Tel Aviv MA'ARIV in Hebrew 21 Feb 86 p 12

[Text] Haifa police ordered a Philippino woman belonging to the mystic sect of Ananda Marg to leave the country within 1 week.

The young women living in the apartment belonging to the sect were summoned to police headquarters in Haifa last week. They were asked to present their passports to the police officer and one of them, the Philippino who had recently joined the sect apartment on Hadar Carmel, was asked to leave the country within 1 week.

In the wake of MA'ARIV revelations, the exact particulars of the sect leader, Stephanie Selfman, were taken; she is suspected of living under an assumed identity. The Ministry of the Interior issued a deportation order against her, but investigations showed that the young woman is currently living in Haifa under another name.

At present, various persons, including the man whose daughter is living with the sect leader, intend to file a complaint with the Interior Ministry and the police, showing the new particulars of the leader.

Such a complaint may result in a new deportation order and its implementation by the border police.

12782  
CSO:4423/93

## ISRAEL

### RAFI'AH DESCRIBED AS CENTER FOR SMUGGLING

Tel Aviv MA'ARIV in Hebrew 21 Feb 86 Weekend Supplement pp 10-13

[Article by Ya'ir Lapid: "Holes in the Fence"]

[Text] Muhammad al-Hamsi is standing by the fence and shouting. His sister stands on the other side. Al-Hamsi, who has been released under Jibril's exchange, had at one time hurled handgrenades at two IDF patrols. Currently, it is said in Rafi'ah that he is quiet, but he shouts. When Rafi'ah was cut up in 1982, his sister remained on the other side, in the "Canada" refugee camp, together with 500 other families. If he wants to talk to her, they both stand on one side of the fence and shout. Al-Hamis, who has learned his lesson, refuses to talk to anyone on this side of the fence. He shakes hands and smiles, then goes away. The only one left standing by what someone with too great a sense of drama called "the Berlin wall of the Middle East" is 'Arjiyah 'Abd, who is too old to be scared. "I wish I could cross the fence and see my relatives this very day," she says turning to the other side to continue the loud dialogue.

Rafi'ah, the divided city. As on each day, 'Awad Hamid 'Awad Barhum, known to the guards as "No 91," arrives at the "wicket"--the secondary border crossing designed only for the town inhabitants--takes out his crossing pass, and goes to meet his wife. Their separation is a minor tragedy, one of hundreds created by the new border. "The wicket was established as a humanitarian crossing, only for Rafi'ah inhabitants. It was designed to solve some of the problems created by the hastily drawn border," says Lt Col Yisra'el Ma'oz, the governor of Rafi'ah.

The "wicket," the terminal, the divided families are all the somewhat worn out stories repeated again and again immediately after the partition. The border line--drawn according to the British-Turkish agreement of 1906--was an invitation to problems, and to communication, too. What had not been foreseen was what happened to the town itself.

Before the partition, Rafi'ah had been a commercial center through which passed the traffic from the entire Gaza Strip up to al-'Arish. The "money changers market," which cut through the entire town down to the current location of the "wicket," was one of the busiest markets of the south. Today



the town is deserted. The center has moved to Gaza. The town of Rafi'ah currently has 75,000 inhabitants, more than half of them resettled refugees. By the way, since the partition the distinctions between the natives and the refugees have been disappearing. There has been an increasing number of mixed marriages and contacts. Now they probably all feel like refugees.

It might have been expected that the combination of unemployment, isolation, and boredom would turn Rafi'ah into a center of terrorism. But the reality is different. The last attack in which Rafi'ah people participated was the murder of Herzl Pitussi, which happened, as is known, in Gaza. Aside from that one can venture to say that Rafi'ah is the most quiet town in the entire Arab sector. Even the little activity that there was in the town has been dwindling since the deportation of 'Abd-al-'Aziz Shahin, one of the PLO's top men and a close associate of 'Arafat's. "No one here has talked to us about the PLO, there is no such problem here," says Salim Salah, a 60 year old Palestinian. "Even when I came and asked for a plot to build myself a house, no one threatened me or said anything to me. I have heard that in the West Bank it is different, but I never was there, so I do not know."

Even among the younger population the views are no different. An increasing number of refugees are now ready to settle down and to build--in absolute contrast to PLO interests--new houses on land leased from Israel. It is precisely the difficult economic situation that is making the refugees seek houses. Already close to 15,000 people, which is about half of the refugees, live in new houses. The majority of them came of their own initiative and asked to participate in the settling process. "In contrast to the past, today I find it difficult to save money, business has dropped greatly in the town because of the partition," says 'Adil Hafis, 26. "Once I used to work for Yankel in Netanya, today I am here. Now I and my family are building a new house, 600 square meters. We are not against Israel; here there has never been terrorism, but if you close down the border, that will be a death blow to us."

Rafi'ah's finances are balanced by the smugglers. In recent years smuggling has become one of the most important trades of the town. There are several typical smuggling methods: by sea, fishermen bring diesel oil from Egypt, which is considerably cheaper there than in Israel, as well as fish from Alexandria; smaller items are brought in by land. Not long ago, BAMAHAANE reported that the item most often smuggled is the French cheese La Vache Qui Rit; that may be a slight exaggeration, after all that was only one transport that was seized, but that is the sort of thing that is smuggled in. Other popular items are silver and gold, cigarette paper, and certain European products. Not drugs. "They stand in two pairs south of the town, at a spot where the fence is lower, one tosses to the other, who passes it over the fence, and from there the third tosses it to the fourth, so that even if we arrive immediately, those standing by the fence are empty handed and pretend to be talking," says A., a bedouin scout working in the area. Usually, no sabotage material is smuggled through Rafi'ah, but recently an IDF patrol found a Russian hand grenade south of the town, probably a forgotten odd piece from an entire smuggled lot.

After the goods are transferred, payment is made in Rafi'ah. "When you hear someone shouting across the fence, 'Come tomorrow to visit the uncles,' you

never know if he indeed means it, or whether it is a payment signal," says one of the men in charge of the smuggling business, smiling. The payment, like the goods transfer, is conducted with speed: a muscular arm, a quick toss, and that is it. The Egyptians, even if they catch some of the smugglers, do not report to Israel. We are told that the Egyptians are even tougher than the Israelis on the subject of smuggling and illegal border crossing, and that they try very hard to prevent both.

"Illegal crossing is a real problem, but usually those who cross the border to this side do it in search of work, not for terrorist purposes," says Lieutenant Colonel Ma'oz. When traces crossing into Egypt are found, the liaison unit informs Egypt about it. Communication is far scantier in the other direction. As opposed to smuggling, most of the illegal crossings take place outside the town, especially south of it. When an incidence of crossing is discovered, a reconnaissance patrol is sent out according to the usual IDF pursuit rules. The illegals, who are aware of the efficiency of Israeli scouts, try to erase their traces in several ways, such as wearing shoes glued to a pad, or covering the soles with sheepskin.

Until recently some of the smuggling was done underground. "Not long ago we found a tunnel just as it was being dug," says A., the scout. "Inside there was still a flashlight, a spade, and a helmet." After a few tunnels had been discovered, the IDF brought in a digging machine and used it across the entire length of the fence; a number of tunnels were discovered and destroyed in the process. By the way, the first tunnel was discovered in the very center of the town. Over the spot where it had been dug stood a donkey; an old man was sitting on it and talking to the other side. When we took his picture he smiled, not at all afraid.

As a rule, Rafi'ah is not a fearful town, just sad. Every Thursday the civil administration organizes an "open day" for the inhabitants, when people can come and pour out their troubles. On the steps of the government house stands Hamad Ahmad Ayid Abu-Armana, who has come to ask for relief. His son is one of the terrorists released in the exchange, but that does not prevent him and the authorities from maintaining normal, even amicable relations. "Ahlan, Ge'ora," he pats the arm of the lieutenant governor. "Kif halak? You happy?" Ge'ora is happy.

This friendly pat is not the only expression of the relationship. In the middle of Rafi'ah, surrounded by Arab houses, stands "Avshalom's palm tree." To be quite truthful about it, the tree is not exactly the original tree under which was shot Avshalom Feinberg, one of the first NILI men, but it is in the correct spot. At least once a year there is an official ceremony here in memory of the handsome Avshalom. During the rest of the year there is no guard by the tree. But the white walls bear no black-green-white graffiti, no slogan, and no trampling marks.

The inhabitants of Rafi'ah receive their reward for this peace and quiet. The authorities have invested large amounts of money in the construction and development of the town. Thus, for example, \$200,000 were put into draining the sewage outside the town. A new network of stores was built at Tel Sultan, and large amounts of money were invested in building a 45 meter water tower,

one of the tallest in the country. There is full, even if reticent, cooperation, between the authorities and the townhall. The reticence is a matter of politics. The former Rafi'ah mayor was murdered on political grounds, and the local replacement, Jamal Balawi, is careful. "The relations," says Lieutenant Colonel Ma'oz, "are correct, nothing more, but we maintain contacts and consultations. He does not always accept my opinion, but that is his right."

The relations with the Egyptians are equally careful. The "cold peace," people say here, is not felt. "The situation at the border is no different today than it was 1 or 2 years ago," says Ely Horowitz, spokesman of the civilian administration for the entire area. Those who work on the border, close to Egypt, claim that there is a certain toughening in the strategic area, but personal relations have not been affected. "In the morning," one of the workers in the "wicket" area told me, "an Egyptian soldier comes, brings their newspapers, takes some women's magazines of ours, and goes back. Sometimes we have coffee with them, talk. Everything is alright." The Egyptians' attitude toward the Palestinians is far harder. "Often," says G., who works closely with the Egyptians, "the Egyptians send back people arbitrarily. Even those who have all the required permits--and those who have crossed say it takes months to obtain them--are never certain that they will not be sent back from the border." Another prominent figure who is in contact with the Egyptians says that the situation inside "Canada" is no better: "The Egyptians do nothing to develop the place, and their attitude is hostile. The Egyptians do not like Palestinians." This attitude had a direct impact on the incidence of border crossings. Despite the claim of official sources that the traffic across the border is no less intensive than in the first days of the border, local residents who live close to the "wicket" say that traffic has dropped from about 200 people a day to 15-20. At the terminal the difference is less pronounced, but traffic has abated there, too.

The majority of visitors are of course from the refugee camp left on the other side, "Canada." Aside from family tragedies, there are also business tragedies --peasants whose land is on the other side and shopkeepers who lost touch with their businesses. By the way, the problem of "halved houses" is less stringent, because houses were built on the border line only after 1967. An agreement, signed in April 1982, stipulates that "Canada" will in the end revert to Israel. No date was set for that. On the surface that is not difficult: the inhabitants want it, the Egyptians strongly demand it, and the Israelis do not oppose it. The problems emerge when it comes to implementation. On the one hand, Egypt cannot afford, for the sake of its image in the Arab world, to create a precedent of Arab citizens escaping to Israel, on the other hand, Israel is not prepared to make any additional territorial concessions. And besides, the matter of compensations is very complicated. It is hoped here that the problem will be solved together with the problem of Taba. In the meantime, policemen and teachers from "Canada" work here--living testimonies of the fact that the problem is still topical, and very much so.

[Box on p 12]

### Whoever Says There Is No Jihad Is Lying

Rafi'ah, like any Arab town (or any other town, for that matter, Jewish, too) has its fanatics, its madmen, and its devout. Nazir Khalil is the imam of one of the town's mosques. A handsome young man of about 30, with delicate features, and a discoloration on the forehead, a sort of black diamond-shaped spot. Khalil is a Khomeynist, a member of the religious repentance movement that began in Iran and is spreading throughout the Arab world. There is a great difference between what he says in his mosque and what he is willing to tell the press. At the mosque he used to preach--until the authorities forbade him--a stepping up of the Jihad (holy war); now he is more cautious.

[Question] Where you happier when the Egyptians were here?

[Answer] Hard to tell. I was in fifth grade when they left. In every state there are good things and bad things.

[Question] You could have been expected to oppose the presence of Jews here.

[Answer] These are superfluous and useless questions. The problem now is not the Jews, but the Arab regimes which are against genuine Islam and which do not permit the unity that alone can restore Arab lands to the Arabs.

[Question] If we talk about "genuine Islam," then Jihad is one of its basic precepts. Do you not feel that you are breaking faith by having contacts with the Jews?

[Answer] It is true that that is one of the basic precepts, but whoever says that there is no Jihad is lying. At present there are special circumstances, but this is temporary. There have been periods in history when Christianity and Judaism stood under the shadow of Islam, and even Jewish poets wrote in Arabic. That era will still return, but thoughts are one thing and deeds another. The timing--at present--is bad.

[Question] In the past you used to talk of immediate jihad.

[Answer] That was because the Arab countries are not lifting a finger, which means that people must take the law in their own hands."

[Question] Are you a PLO supporter?

[Answer] What am I, crazy? They are the worst kind of heretics. They do not believe either in Allah or in Islam. The front is so un-Islamic that they are forever asking for intervention by the Russians, who are both Christians and atheists. Everything Russia says, they do.

[Question] It is said that you are a Khomeyni support. Is that true?

[Answer] There is agreement and there is opposition. I agree with him in the

area of Islam. He is a true believer. I am opposed to the fact that he is putting such effort into an inter-Islamic war instead of more important objectives. His war has no purpose, the world is big. But the Iranians were always stubborn, and the only ones who profit are the arms dealers. Including Israel.

[Question] Why, in fact, are you maintaining contacts with the authorities?

[Answer] Because of my wife. I married her after the partition of Rafi'ah. She lives in "Canada" and I want visitation permits, because she is not allowed to come and live here.

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ISRAEL

KAKH LEADER, RE'UVEN BEN-'AMIT, PROFILED

Tel Aviv YEDI'OT AHARONOT in Hebrew 21 Feb 86 pp 10, 18

[Article by Ronit Vardi: "The Mouth that Scared the Country"]

[Text] Re'uven Ben-'Amit was born, one could say, this week, in a feature on the KAKH convention written by Moti Kirschenbaum for television. "The man with the crooked mouth," he was later dubbed.

You have become a symbol, I told him last week in his house in Poriya, which is within spitting distance of Tiberias, where he is the leader of the KAKH branch.

In the negative sense, he answered.

That is right, I said.

How do you feel, as a symbol?

As a symbol of ugliness and deviation? I do not feel that.

Kirschenbaum's final pictures built an atmosphere of a graduation party reminiscent of the last hours of Independence Day celebrations in the 1960's. Someone is folding an enormous placard, someone else is arranging the lighting. In the background, the Givatron sings: Oh, my country, my fatherland... At one point Kirschenbaum's voice supercedes the sound track, hoarse and a bit tired. But this week, he says, other things have happened, too... Perhaps there will be no drought this year, hopefully there will be no drought. Not as long as the enactment of the antiracial law is delayed...

Kirschenbaum's voice fades and the Givatron is heard more loudly. The viewer at home remembers faint background whispers: Nazi, Nazi.

Last scene: a dark shadow passes slowly over an empty signboard.

Kirschenbaum may remind one of Naomi Shemer of October 1973, of the song "If there will be," on its first hearing on television. During the broadcast I was sitting in the dining area of the orthopedic ward of the 'Afula hospital. Wheelchairs and mobile beds were gathered around the television set. The

hospital was full of wounded shipped from the Golan Heights. The song was then heard as an answered prayer.

### Something Basic

This week, half an hour away from 'Afula, Re'uven Ben-'Amit began the story of his joining KAKH in October 1973 when he, Ben-'Amit, saw "the IDF defeated" and understood that "something basic must change."

Previously, according to him, he had voted for Herut and it was from there that he moved on to KAKH.

In Kirschenbaum's feature Ben-'Amit had spoken with a German accent. When talking to me, he had a French accent. On television he wore an elegant striped shirt and tie, in Poriya he was dressed in worn cordroy, an old sweater, woolen socks, and old fashioned, scruffy house shoes. On television his lips had pulled to the left as in a frozen grimace. When talking to me, his lip was pulled upwards in a dandified expression, as if to stress certain sentences through body movements.

Re'uven Ben-'Amit at the KAKH convention: "Do you know the meaning of the word rightful president? A president is like a king. He gives orders and is obeyed. He is the first among the people, the father of the nation, a president. A king."

"King?" (The mouth pulls in a grimace.) "King?" (Same again.) "A sovereign is a Moloch [word play in Hebrew], destroyer of our Jewishness. He continues the destruction, the killing, and there are again cries for our blood."

[Question] Was that a prepared speech?

[Ben-'Amit] Very little. One hour before I spoke I knew that something would explode.

[Question] Why?

[Ben-'Amit] Because I owe them the best I can give.

### Looking in the Mirror

[Question] According to what technique?

[Answer] One must not cheat. People are tired of playing games. The time has come for all of us to strip down, to overcome natural aversions, and to look at ourselves in the mirror.

[Question] Have you stood long in front of the mirror this week?

[Answer] No.

The camera may have exaggerated Ben-'Amit a little, but it did not invent him.

At the beginning of this week it was said that Ben-'Amit was a doctor. That is not true. Ben-'Amit works for the Jewish National Fund, the Golani Crossroads, on the 'Plant with your own hands' project. He holds a low level technical position; he escorts tourists to planting areas, cashes fees, helps move earth. There are other workers with him in the field, some of them Arabs. "I have a great forest. I check the trees, trim them, smell them, sometimes I go into the forest and faint with the smells, the wind, the leaves."

At the Golani Crossroads plantation of the National Jewish Fund, people fainted to see him on television. Their conclusion: a strange man. He was always strange.

Poriya itself is a strange place. Its beginnings go back 30 years to huts built for the builders of a planned vacation resort, the idea of the Teiber family. The resort never materialized. The housing was populated over the years, expanded, and new houses were added to the existing. The place overlooks the Sea of Galilee. An impressive scenery: granite rocks, wild fields in between the houses. Power and telephone lines are scattered between the paths. There is no grocery store, no kindergarten, no schools.

#### A Story with a Chicken

Ben-'Amit lives at the entrance to the place in a run-down 2-story building. There is a large, overgrown yard. Two little reddish dogs are tied up by the door. It is early afternoon. No one is in the house. The nearest house is at a distance of about 30 meters: a low, countrified building; under the window, a sign in English reads Shalom. A 17 year old blond, quiet boy comes out of the house. We sit on a rock in the yard. Once, he tells us, Ben-'Amit had an old Subaru. And once his, the boy's, dog killed two of Ben-'Amit's chickens. Ben-'Amit called the police, although he had been given other chickens in exchange...

The boy, son of a Christian Finnish family, goes to the kibbutz district school. In Poriya it is said that the Siunato family is here on missionary work. The family has been here 20 years and has still not shown any signs of it.

Ben-'Amit's closest friend, Gershon Steinberg, is 80 years old.

We knock on his gate, but he does not answer.

Gershon is waiting for a lover who left years ago. He spends the Seder and other holidays with Ben-'Amit. There is a bedouin family there, too, who until the last elections used to have Ben-'Amit over for coffee and sometimes arak.

#### Natural Relaxation

Night time in Poriya. It is very cold. There are no cars, no people. Ben-'Amit's dogs are barking. The house entrance is dark. The crumbling door, located at the back of the house, is fastened with a chain like a bicycle.



The entrance way is a narrow, old fashioned kitchen. From there we step into a large room furnished with a red rug, two and a half armchairs, and a sofa. An old piano stands in a corner with photographs upon it: a young woman playing the piano, the same woman with a cello. She has dark hair and brown eyes. Do you play? I point to the piano and ask Mikhal, who has been living with Re'uven Ben-'Amit in the past years. No, she says, that is Re'uven's daughter.

He had been married to an Israeli who now lives with their 17 year old daughter in London. She earns her livelihood by renting cheap rooms, mostly to Israelis. This week, on a visit to Israel, she commented on the television show: Re'uven is in a crisis.

Mikhal teaches a special education class at a school in Haifa.

Re'uven Ben-'Amit sits in an armchair and she at his feet, all dressed up, with make-up and boots on. In the middle of the room, small green leaves are laid on a towel on the rug. Savory leaves from the yard.

Re'uven Ben-'Amit is a changed Hebrew name. He refuses to reveal his original name. The police too, inquired into his past this week. Ben-'Amit does not appear in the population census, at least not as a resident of Poriya, where he has lived for the past 10 years.

The original name: Fratner, Raymond Fratner. Originally, the French name meant fox.

We talk for hours. It is difficult to follow him. He is exceedingly articulate. He is cool and composed, but after a few minutes you get an eerie feeling. He does not commit himself to any detail, does not provide dates, work places, names of friends. And when he does cite a name, he does it in great disarray. He has been everywhere in the world. He has been involved in an Israeli nuclear bomb project, has studied eastern philosophy in Afghanistan, has sold bonds as branch chief in Belgium, has manufactured small boats for the French army, has shorn sheep professionally, and is helping "Avram, at Kibbutz Yif'at develop a Jonathan apple." He sang with Avital Mossinsohn at social evenings, and what a basso he was, and how he spoke about his father...

Mossinsohn: I never met the man.

Ben-'Amit spoke of Ya'aqov Ben-Ami as of a family relation.

Ben Ami: I do not know him.

Amos Keinan was mentioned as an admired figure: I would be content to have him hate me.

Keinan: Who is he?

He introduced himself as a poet and translator.

## A Proud Lithuanian

Professor Menahem Perry: What?

Re'uven Ben-'Amit was born in Paris on the eve of World War II. During part of the war he was at home with his parents, the rest he was in a French nursery, where he was passed off as a Gentile. The family came from Lithuania. His mother had been considerably younger than his father, Samuel Fratner, for whom it was a second marriage. A son and a daughter were born to the couple. Two sons from the previous marriage perished in the Holocaust.

Ben-'Amit: My father was a very tall man, a proud and strong Lithuanian.

The following lines must be read in a crescendo, at increasing speed, and with broad gestures: Since he was so tall and healthy, he was conscripted in the Russo-Japanese war of 1905. He was an excellent horseman and served in the cavalry. After that he deserted from the White Army and changed his name. He fought with the French in World War I and was wounded.

After the war, Samuel Fratner managed a small clothing store, then he died of a disease. His son immigrated at age 16 and joined a group that settled at Gezer, a kibbutz that was in difficulty at the time. Group members from Gezer remember Raymond as a strange boy, brilliant and interested in art. Then he joined the army, Battalion 50, according to him.

A medal: I fought in the Dahariyah battle, near the Samu'a police station. I stayed with a wounded man behind enemy lines for 13 hours.

[Question] What was the wounded man's name?

[Answer] I do not remember.

Dayan wanted to give me a medal, but I did not want to accept it, so I deserted. I did not go to jail because a compromise was reached. No medal and no jail.

Because of the Figure

Amos Yarkoni: I do not remember any such thing. Normally I would remember.

I will let Mikhal speak for the conclusion of the discussion in Poriya: Say, she told Re'uven Ben-'Amit, do you not feel like a beauty queen who is interviewed for her figure, but who shouts all the time, but I have something to say, too?

Midnight in Poriya. Kahane has many supporters at the neighboring moshav, Neve 'Oved. By the next week who will remember the crooked mouth at all?

[Box on p 10]

They Actually Said Nice Things About Me

[Question] Did you see yourself on television?

[Answer] No, I do not have a television set.

[Question] How did you learn about the feature?

[Answer] I heard about it at the synagogue on Saturday. They actually said nice things, like, we saw you... After that news began to trickle in. In the evening Mikhal came back with the newspaper.

[Question] Do you have a muscular problem?

[Answer] I think not. I was excited at the topic.

[Question] Did you ever have a nerve injury? Do you get contortions when you are excited?

[Answer] No.

[Question] When did you acquire the habit of pulling your lip up?

[Answer] Perhaps it was a pulled muscle, I was excited.

[Question] Did Kahane call you this week?

[Answer] No, he is very busy. Others from the movement called, but we are already used to that.

[Question] If Kahane becomes prime minister, what portfolio will you take?

[Answer] I will return to my poetry, to writing and translating.

[Question] Perhaps you will accept some propaganda position?

[Answer] It is possible.

[Question] To what historical figure do you feel closest?

[Answer] Hannibal, who dared to attack the empire.

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## ISRAEL

### HANNA SINYURAH PROFILED, INTERVIEWED

Tel Aviv HADASHOT in Hebrew 21 Feb 86 pp 22-23

[Article by Tzvi Gilat: "A Native of Qatamon"]

[Text] "Hanna Sinyurah? I give him 6 months to live. At the most." With this statement, the taxi driver who was taking me to the offices of AL-FAJR revealed several of his beliefs: Sinyurah wants peace, Sinyurah is a leader, leaders who want peace on that side are murdered.

"A Jewish driver or an Arab driver?" Sinyurah, the editor of AL-FAJR, inquired. He seemed relieved to hear that it was a Jewish driver. Then he said a few words about his awareness of the danger and recalled 'Isam Sartawi and Fahd Qawasimah, who paid with their lives for their support for peace. It appeared that the idea as a whole was strange to him. Sinyurah does not see himself as a potential national martyr. It is doubtful whether he sees himself as a leader at all. His aspirations and ambitions are not connected to the center of the national stage, but in the Middle East everything is possible. The best proof to that is that Hanna Sinyurah, out of everyone, was selected to represent the Palestinians in contacts with Jordan and the United States. During his 49 years he has been a civil engineer, then a pharmacist, then a newspaper editor, and then a political figure. All that as a result of circumstances that were, according to him, outside his control; just a coincidence. But he may well be enjoying the opportunities that these circumstances have opened up for him. Sinyurah is at home among political circles, enjoys the recognition and confidence of Israeli, Jordanian, and American dialogue partners, is honored, and has the satisfaction of personal fulfillment. All of that also involves many trips, and Sinyurah loves to travel. In what position does he see himself within the Palestinian state, should such a state come to be? Not in the government and not in the parliament. Someone suggested that he should be the Palestinian ambassador to Israel. Sinyurah would prefer Europe and the United States. He has not yet been to East Europe and Australia, but that is a possibility, too.

He was born in old Qatamon, in West Jerusalem. His family, a wealthy Christian family whose livelihood came from a prosperous pharmacy in the Old City, subsequently moved to Bet Even in the Biqa' neighborhood. In 1948, like many others, the family moved to East Jerusalem in the belief that the war would be over in a few days, after which they would return home. They still have not.

"My cousin once went there and found a Moroccan family living in the building. He left, never to go back."

[Question] And you?

[Answer] I never went. Not interested.

Perhaps because of the pain, and perhaps because he was too young to have formed a strong attachment to his home. A few years ago, Dudi Zucker of the Citizens' Rights Movement hosted some East Jerusalem personalities in his home in Katamon. The meeting lasted long into the night, and when it was over Zucker offered to escort his guests and show them a shortcut out of the neighborhood. "No need," Sinyurah said at the time, "I know my way out of here."

From there he moved to Bet Hanina, to a four-apartment building in an area of professionals and intellectuals. His apartment is neither luxurious nor ostentatious. Furnished in European style. In contrast to the traditional leadership in the West Bank, Sinyurah boasts no estate and no swimming pool. Not only does he not care for such things, but he also could not afford them.

#### The Shell Tore Down the Door

He has few childhood reminiscences. He is not sentimental. He remembers the policeman by the Egyptian Embassy, the bus ride to the College des Freres, airplanes dropping bombs, the shell that tore down the pharmacy door in the Old City. The pharmacy, the family business, is still a subject of pride. "It was the only one that stayed open throughout the war," Sinyurah says. Hanna, the oldest among the Sinyurah children (he has another brother and a sister), was of course meant to take over the business; but he turned it down. His rebellion against his parents, the rebellion of a good Jerusalem boy, took the form of travel to San Francisco, where he wanted to study civil engineering. There he met Joe Nasir, another Jerusalem Palestinian and the cousin of the girl who was to become his wife. Their fate has remained closely interwoven since then. Two years in school made Sinyurah understand that he would do better to return home. For 2 years he worked in the pharmacy, and in 1961 he went to Beirut to study pharmacy. Three years later he was back. He says the school was too expensive. His enemies claim that it had something to do with an cheating on exams. After that he found a good and inexpensive university at the other end of the world, in Benares, India. "We," he says, "are like the Jews: dispersed to the four corners of the world, you find us everywhere, even in Africa; we, too, go to work or study wherever we find an opportunity."

In the meantime he had taken a wife, Narumah, from Zahlah, Lebanon. A beauty who still attracts admiring looks. A KOL HA'IR correspondent who had gone to Sinyurah's house a year ago to interview him asked her to call her father when she opened the door. While in Benares, Sinyurah the student used to come visit his family and wife every summer. His absence from home and her beauty caused a lot of malicious gossip, for which no one needed any real basis in fact, just jealousy.

The 1967 war caught him during his yearly visit. This time, too, as in 1948, he thought it would be a matter of days before the Israelis withdrew and life returned to normal. "I am still waiting, 19 years later, for that moment," he said last week. Since he did not want to miss the next school year, he crossed the bridge to Amman and continued from there to Benares. But he was not allowed to return when he next tried to come home. Only 2 years later was he permitted to return to Jerusalem within the framework of family reunification. Again, chance.

The family led a quiet life, the husband at the pharmacy, the wife at home. High politics seemed far away. "Like any Palestinian, I wanted an end to occupation rule, independence, a government of our own, a flag, and an insignia, but I never crystallized my views."

Toward the end of the 1970's Joe Nasir also returned. He taught a bit, and dabbled in journalism a bit. Later he convinced Paul 'Ajluni, a Palestinian businessman living in the United States and his brother-in-law, that there was room for another newspaper in the West Bank. In 1972, Mr Nasir, as Sinyurah punctiliously refers to him, founded AL-FAJR. The newspaper was managed by three men: Nasir, the editor-in-chief; Jamil Hamad, his deputy and close friend; and Sinyurah, who occasionally helped with the technical aspects of printing a newspaper. To this day Nasir's name appears on the masthead as its "founder and first editor."

The East Jerusalem press does not greatly resemble what we think of as "press." Because political organizations are almost completely banned in the West Bank, the newspapers have become the main outlet for the expression of political views. Most of the space is devoted to publicistic articles. Newspapers appear and disappear in short order. A field correspondent is sometimes the owner of a grocery store, and news is mostly translated from yesterdays' Israeli papers. But East Jerusalem newspapers are in constant turmoil, not only because of the security censorship, but primarily because of political rivalries. Within a short time AL-FAJR became the most provocative among them: it attacked Israeli rule, Husayn, and the traditional leadership, and accused the latter of collaborating with the government.

The government reacted as is its wont, by periodically closing down the presses. Editors and writers, Sinyurah among them, worked under restriction orders and legal administrative restraints. News items and articles were banned en masse. AL-FAJR, which did not disclaim its overt support for 'Arafat, suffered intensively under the censorship, while incurring the wrath of the traditional leadership, too. The situation came to a head in 1974: Nasir then sharply attacked Shaykh Ja'bari, the undisputed leader of Hebron. In a caricature of the time Ja'bari is portrayed as a donkey with a boot in its mouth, ridden by Moshe Dayan. Ja'bari banned the newspaper from his town and, according to Sinyurah, local notables asked for Yusuf Nasir's head. Nasir took the threats seriously: he stopped going out and moved to the Saint George hotel. After two nights at the hotel he was persuaded to make peace. On 4 February 1974 Jamil Hamad, AL-FAJR's deputy editor, drove the editor-in-chief from the hotel to his house. That was the last time anyone from the newspaper saw Nasir alive.

## Dayan Silenced Them

A few days later the family contacted the police to ask if Nasir had been arrested by the authorities. The answer was negative. Rumors had it that he had been kidnapped, brought to Hebron, and killed there.

An investigation was opened, followed by the arrest of Jamil Hamad, a known criminal by the name of Karaki, and three clerks of the Hebron townhall. To this day the family claims to have proof that Jamil Hamad collaborated with the kidnappers, was aware of their actions, and even procured the key of Nasir's apartment for them. Karaki admitted under police questioning that he had brought Nasir to Hebron and passed him on to some people there, but he did not repeat this version in court.

"Someone," Sinyurah says carefully, "killed the investigation so as not to harm Shaykh Ja'bari." By "someone" he means Dayan, with the assistance of the police brass. In the absence of the body, the suspects could not be tried for murder. Jamil Hamad and the three Hebron townhall clerks were soon released. Karaki, who was also a drug dealer, spent a few years in jail and was then sent to Jordan. Not long ago he contacted the family and for \$10,000 he offered to show them the hiding place of Nasir's beheaded body. The family is cautiously considering the offer. It may be just a case of extortion. The word was passed to Karaki to speak first, and the family is still awaiting his reaction.

## 'Arafat Thinks, Sinyurah Speaks

With the editor-in-chief kidnapped and his deputy jailed under suspicion of the crime, publisher Paul 'Ajluni called Sinyurah the pharmacist and put him in charge of the newspaper. Once again, chance. Sinyurah, aware of the fact that writing and political standing were not his forte, began organizing the editorial board. The list of editors who worked under him was long and respectable: Muhammad Batrumi, currently the treasurer of the East Jerusalem Power Company; Ma'mun al-Sayyid, who left after 2 1/2 years; Bashir Barjuti, the secretary general of the West Bank communist party, who left shortly thereafter and founded the AL-TALI'AH, and Attorney Ziyad Abu-Ziyad, who opted for a career in law. "They all left," says Yosi Amitay, who put together a study of the East Jerusalem press, "because of power struggles at the top." It would seem that publisher 'Ajluni did not want to have people who were too strong and independent at the top. Sinyurah's staying power indicates some of his character traits: he is reliable, cautious, and does not rush into controversy.

"Ajluni," says Sinyurah, "does not interfere with the newspaper, he only finances it. This is an oath taken after Mr Nasir's death. The newspaper costs him about \$250,000 a year, despite our low publication costs." Israeli sources say that the money comes from the PLO; Ajluni is the contact man for the organization's leadership and treasury. It is to be assumed that if the authorities could prove this beyond doubt they would close down the paper. There is no doubt that AL-FAJR faithfully expresses the stand of the PLO mainstream, i.e., 'Arafat's stand. The purse seems to dictate the views. 'Ajluni comes to visit frequently and closely oversees the paper's affairs.

Sinyurah claims that his newspaper is democratic and that his men are free to express their opinions. Naturally, however, it is desirable that they should express the views of the majority of the population. The majority of the population supports 'Arafat and clearly sees him as its representative. A journalist who used to work for AL-FAJR says that the democracy is limited. Anyone who writes against the line is bound to find himself on the outside. And when a newspaper serves more as a means of propaganda than as a supplier of news, that makes sense.

Freshly appointed editor Sinyurah began to like the whole thing: "In pharmacy you only deal with certain human physiological functions," he says. "In journalism you mirror the soul." He has also begun to write and occasionally produces the editorial article. His writing has not attracted much praise. He is not known as a brilliant journalist, and does not think of himself as such.

Bashir Barjuti, the journalist, ideologist, and communist, refuses to give interviews: "I do not want my statements to appear on the same stage as Sinyurah's," he says not without arrogance.

Muhammad Abu-Zuluf, the editor of AL-QUDS, the major West Bank newspaper, and known for his pro-Jordanian leanings, said he was simply not interested.

Zuhayir al-Ra's, one of Sinyurah's close friends and an editor of AL-MAWQIF, said he prefers to meet in Gaza. A former AL-FAJR correspondent explained his refusal by the fear that his telephone was tapped. This suspicion is, of course, well founded; the authorities do not like too much talk.

Jamil Hamad, Joe Nasir's former deputy editor, is currently considered the best correspondent in the territories. When I asked him to name Sinyurah's closest friends, he mentioned two unfamiliar names. I asked who they were.

"Pharmacists," he replied. "He is a pharmacist, is he not?"

[Question] He is a journalist, too.

"You said it, not me."

"I have suffered the most from Joe Nasir's death," says Hamad. "He was my friend, I loved him. If it had not been for his death, Sinyurah would still be a pharmacist, so he has no reason to be holier than the pope." He did not want to say anything about Sinyurah as a politician: "I have no part in his war," he said, "and I have no part in what is called this homeland. I am a refugee. This is the war of Sinyurah and Abu Jihad, not mine. My struggle is to raise my children and to earn my bread honorably. Thank you."

The fact that Sinyurah is not a brilliant journalist does not mean that his views are uninteresting. He carries authority by virtue of his position alone. When journalists seek reactions to a certain event they usually turn to their colleagues in the territories, who are viewed as the mouthpieces of public opinion. Sinyurah is not merely a journalist. His paper is clearly identified with the PLO mainstream. Sinyurah frequently emphasizes that he identifies



with 'Arafat's positions. This identification is mutual, as it is convenient for 'Arafat to have Sinyurah express his stand, and that obligates him.

When 'Arafat wants to appear publicly as a man of peace and dialogue, Sinyurah is a good choice. He does not have aspirations above his state, is a good listener, is careful and deliberate in his statements, and is not embarrassed to say that he wants peace and that he recognizes Israel's right to exist. Not many Palestinians would state that, and neither has 'Arafat clearly stated it so far. Knesset member Ora Namir recently met with Sinyurah within the framework of discussions between Alignment doves and West Bank Palestinian leaders.

"I was very impressed by his moderation and deliberation, not to mention his manners and the way he listens," she said. It is very important for the Israelis to know that they have someone to talk to in the West Bank. There are people who follow the right direction and struggle for peace in their own way. You do not have to accept everything he suggests, but you cannot remain unimpressed by his sincerity and his aspiration for coexistence. On the other hand, it would be exaggerated to claim that Sinyurah is a political leader. It is possible that he was chosen to represent the Palestinians in the Jordanian-Palestinian delegation at the talks with Israel precisely because he is not a leader. He is not a man who would all of a sudden become independent and pursue his own policy. His answers to political questions will never cause a storm and he will never say anything new without first consulting with the powers that be. That is convenient for the Israelis. Through him one can talk with 'Arafat without talking to him directly.

Sinyurah will not get the masses out into the streets because of some snag in the talks. He simply does not have the authority for such a thing. He is not blessed with political cunning; he is an optimistic, pragmatic, sensible, and moderate person. This gives the Israelis a good impression, mixed with surprise; there are good Palestinians, too.

In Sinyurah's social and ideological circle there are people with better leadership potential: Faysal Husayni, the head of the Palestine Research Institute Dr Sari Nusaybah, lecturer at Bir Zayt University and the son of Anwar Nusaybah, and journalist Raymond al-Tawil. Sinyurah's political standing, if he has one, stems from the fact that his moderation is not threatening.

#### Meetings with Husayn

As often in the past, it is possible that now, too, Sinyurah has landed among circumstances not of his doing. The veteran West Bank leaders, Rashad al-Shawwa, Hikmat al-Masri, and Anwar Nusaybah are growing old and their political clout is weakening. Younger and more militant leaders like Bassam al-Shak'ah, Karim Khalaf, and Muhammad Milhim have been removed or exiled. They have not yet been replaced by a new generation of West Bank leaders. Sinyurah is an interim man. No one fools himself--Sinyurah even less than the rest--that at the final stage of contacts between Israel and the Palestinians, he will be among the first five. But in the meantime he mediates and represents, and nothing more. Talk of his political power can be dismissed on

both the Arab and the Israeli side. Nevertheless, it is clear that not only Husayn agreed that Sinyurah should be one of the two Palestinian representatives, but 'Arafat, too. That is the reason that he is frequently quoted and asked for his view every time there is a new question about the future of the West Bank. Sinyurah's stand is important precisely because it is not his own stand.

Recently he has been traveling a lot on the Jerusalem-Amman line. He has met with the king, with the Americans, and with others. When did he last meet 'Arafat? He is not at liberty to say. Any statement may embroil him, and that is something Sinyurah is good at avoiding. When he was working in the pharmacy he used to come home at 4 in the afternoon; at AL-FAJR his workday goes on into the evening, and his time at home is spent among newspapers and books. Sinyurah prefers to read political and economic studies. "Novels," he says, "are a thing of the past." Now, when political activities have been added on, the time he can devote to the family is dwindling.

His wife is busy at home and with running the pharmacy. She is also responsible for the accounts--the finance minister of the roving ambassador--and is in charge of raising and educating their three children: Donna, the eldest, a 20 year old student and no less beautiful than her mother, Natalie the 15 year old high school student, and Sham'un the 12 year old, for whom the AL-FAJR editor is called Abu Sham'un. "When I am angry with him," Sinyurah says smiling, "I call him Shim'on." The children receive a liberal education. Considering his experience, the father will allow them to chose their own path in life.

#### I Am Waiting for Liberation Day

Even when asked questions about his private life, he manages to steer the talk to politics. That is what preoccupies him at the moment. His answers are diplomatic and well formulated in fluent English. Sinyurah is restrained and cool, and does not tend to expose his thoughts. Everything about him is deliberate and calculated. When he laughs, he tries to stifle his laughter quickly; it is not diplomatic.

[Question] In Israel the press is attributed great power, but in fact the measure of its successes in changing the reality is insignificant. What influence does your newspaper have?

[Answer] A smaller influence than even the Israeli press. We do not have a government that can be influenced. Our success of late, if it can be described as a success, lies in the fact that we have demonstrated that the organization that calls itself the "Village Association" provides a framework for cooperation with the authorities. They still exist, although they have no real value.

[Question] What do you do instead of attacking the government?

[Answer] We strive to express the voice of the people and their suffering.

[Question] If one judges by AL-FAJR, all the West Bank inhabitants support the PLO.

[Answer] I believe that the greatest majority indeed thinks like the PLO mainstream. The proof to that is revealed by the results of elections at the universities and by various studies. If the Israelis want more real proof they should allow us to have elections for the local authorities.

[Question] Is the PLO your political support?

[Answer] I believe that I express the position of the majority. The majority wants an end to the occupation. I try to represent a moderate and realistic line. Since the Lebanon war the PLO, too, has been developing a political line and preparing a peace plan with Israel. This constitutes a realistic approach to the reality.

[Question] What is your distinction between the ideal and the realistic?

[Answer] The ideal is that all of Palestine should be a secular-democratic state to all purposes. However, we see that the Jews do not want this; they want a Jewish state. The realistic possibility is, then, the establishment of two states that should split the homeland between them.

[Question] To wit?

[Answer] To restore to the Palestinians the territories occupied in 1967.

[Question] Many Israelis would find it difficult to renounce them.

[Answer] In order to make it easier on them, these territories can be incorporated in a confederation with Jordan. We can decide that the Palestinian state should remain unarmed, in order to allay the fears of those who think that it would attack them. We would need every cent to build up our economy. We could not afford to waste money on weapons. We, not you, will perhaps need to defend ourselves, should extreme elements come to power here, such as Tehiya or the extreme wing of Likud.

[Question] In the meantime Israel is not prepared to talk to 'Arafat.

[Answer] This is a mistake. He is a pragmatic man. When the time comes for him to sit and talk with Peres or with whoever will be elected in his place, he will sit and talk. 'Arafat no longer relies on a solution involving force. See, for example, the ceasefire between him and the Begin government before the Lebanon war.

You say that it is difficult for you to give up. The greatest concession would be on 'Arafat's side. Just as Peres has Shamir and Sharon, 'Arafat has Abu Musa and George Habash. There are radicals on both sides, and they are the danger.

[Question] Would autonomy not satisfy you?

[Answer] No. We are a nation and we have rights. One of them is the right to self-determination and to select our form of government. Autonomy is not the solution.

[Question] How do you envisage the Independence Day of the Palestinian state?

[Answer] There would be 2 days. The first would be a day of remembrance of all those who fought for this state, and the second a day for the living. We would call upon all the people and explain to them the efforts that have to be made in order to build a society and an economy. We would call upon the states of the world, Europe, the Arab countries, and the United States to help us build up our economy. We would have to set a date for elections and adopt a law like Israel's law of return, so as to permit every Palestinian in the world to live with us, should he so wish."

[Question] What are the obstacles on the way to that day?

[Answer] We need on both sides leaders prepared to take a risk and lead their people in this direction.

[Question] Do you see any such leaders?

[Answer] I do not want to cite names. Peres can. 'Arafat can. They must overcome their fears.

[Question] And the fears of the masses?

[Answer] Both nations suffer from stereotypes. In order to remove these stereotypes they must create meeting grounds, which are not possible under occupation.

[Question] Is the occupation the answer to everything? Can nothing be done simultaneously?

[Answer] It is difficult to do much. For example, people must be educated for democracy. But how can one educate for democracy without elections, without any democratic community framework, and while political organizations are prohibited? I hope for such a day, for the day of liberation for which I struggle. I know there is a risk involved, I am not stupid. I know the price, but the fulfillment of this aspiration has its value, too.

[Question] What is your dream?

[Answer] I do not dream. Dreams are a thing of the past.

[Question] A dream can also be a vision for the future.

[Answer] I know what I want for the future.

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ANALYSIS OF PHALANGIST INTERNAL FIGHTING

London AL-SHARQ AL-AWSAT in Arabic 25 Jan 86 p 6

[Article: "Why Did Third Coup in East Beirut Occur? Story of Difference Between al-Jumayyil and His Late Brother's Friends"]

[Text] Once again Lebanon enters the tunnel of the gravest possibilities while observers and people in the know have in their possession certain information of some significance. Perhaps the least that can be said about this information is that it takes the Lebanese crisis back to a point these observers described as sub-zero, where the crisis was in 1975 when it broke out.

The fact is that it is not easy to look for what could be worse in Lebanon. Events during the 11 years of the ordeal have set new records, going from bad to worse and from worse to worst, to a point where Lebanese citizens say about each predicament: "This has got to be the worst." But circumstances and events plunged the country and the people into an even more difficult and more tragic predicament.

In this context, no one imagined that the struggle among the Christian militias for influence in the military and political decision-making process following the assassination of the late president, Bashir al-Jumayyil, would reach the point of drowning in a sea of blood and human destruction. But worse things happened.

At the outset, attention was focused on President Amin al-Jumayyil, brother of Bashir al-Jumayyil and student of the very partisan and political school his father had established through the Phalange Party 49 years ago.

The problem began growing, however, the minute President al-Jumayyil failed to manifest himself as part of this party. According to the Lebanese constitution, he is the president of all Lebanon and all the Lebanese and has no right to be partial to this or that group. This reality and his desire to put it into practice so as not to be accused of partiality to the other side created a political gap between himself and the Phalange generation which his father reared and in whose heart his brother planted the rebellious military spirit.

It was obvious that the gap should be between President al-Jumayyil, on one side, and the Phalange military leaders who joined the ranks of the Lebanese Forces during the days of Bashir al-Jumayyil, on the other side.

At this preliminary point, the deep gap began growing between the president of the republic, with his Phalangist roots and burdensome constitutional reality, and his family legacy of carrying on the Phalange mission.

People close to President al-Jumayyil say that, at that time, he used to emphasize one political point with his interlocutors who used to discuss with him the need for closing any gap between himself and the belligerent group in the Lebanese Forces. He always used to say: "The difference between them and me is that I belong to my father's political school while they are from my brother's military school which more often than not reaches a state of unjustifiable emotionalism."

It was on this basis that the Forces group asked President al-Jumayyil to take political positions at the Lebanese and foreign levels which he was unable to adopt if only because of his position as president of the country.

#### 17 May Nullified All Calculations

This notwithstanding, matters between the two sides remained tied to a tightly-balanced rope. This phase was based on the assumption that President al-Jumayyil would be able to find a Lebanese way out of the Israeli occupation which, at that time (1982) governed a large part of the territory occupied during the 1982 summer invasion. Under the 17 May accord negotiations and after a final formula for this agreement was reached between the Lebanese and Israeli sides, the Forces group was forced to remain silent and not to enter into a conflict with President al-Jumayyil so as not to appear hostile to Israel with which it had close behind-the-scenes and, sometimes, open relations.

The subsequent abrogation of the said accord, however, once again confused matters between the president and the Forces group. At that time, the "mountain war" and the Beirut events erupted, inflicting on the Lebanese Forces and the Lebanese army, which usually represents the president's will from the political and military point of view, military setbacks, political disappointments and heavy human and material losses, all borne by the "Christian community in Lebanon," thus prompting the Forces group, led by Dr Samir Ja'ja', to open fire against the president with one expression which reflected at the time future interests which were later borne out by developments. It said: "The security of the Christian community is above all other considerations."

The purport of this expression is serious for the words "above all other considerations" mean a defiance that perhaps goes beyond the presidency all the way to the borders of the country itself. The Forces group, however, was keen from the outset on saying that the security of the Christian community was an integral part of the security of Lebanese society

as a whole. This allegation exacerbated differences and divisions between that group and the president of the republic, hence the first uprising within the Forces under the command of Samir Ja'ja' and the second uprising against the first, led by Elie Hubayqah. The difference between the two uprisings notwithstanding, Ja'ja' and Hubayqah remained bent on asserting that they were in the same trench and that the Hubayqah uprising was undertaken to appease the Syrians, who refused to extend their hand to Ja'ja' because of the grudge President Franjiyah (one of the Lebanese who is very close to Damascus) held against him.

However, Hubayqah found himself in a position that compelled him to make a specific choice. His friend, Samir Ja'ja', was pushing him to assume a hostile position toward Damascus while the political and security situation in the country was pulling him toward a clear position against Israel, especially since many flaws marred his previous positions in the eyes of a certain Lebanese group. These were his dealings with Israel and his bearing responsibility for the Sabra and Shatila massacres in September 1982.

Thus Hubayqah found himself between two choices and two choices only: either Syria or Israel. His clear choice was to turn to Damascus, hence his trip of reconciliation to the Syrian capital after President Franjiyah himself had paved the way. The conciliation process between the Forces, led by Hubayqah, and Syria continued until the signing of the tripartite agreement with Ministers Walid Junblatt and Nabih Birri.

At this point, the water jug broke, as the Lebanese saying goes, between the Hubayqah group, on one side, and the Ja'ja' group, on the other, which felt that the said agreement threatened "the security of the Christian community." Between these two uprisings, "the coup against the coup," as headlines in the Phalangist newspaper, AL-'AMAL, put it, took place. It was the third uprising within the Forces undertaken by Ja'ja' against Hubayqah, who was removed and deported from Lebanon with a number of his cronies. But the question posed by observers is: Is the vortex of differences and struggles within the Lebanese Forces over? And what will the fate of relations between them and President al-Jumayyil be?

Awaiting unexpected development in the Lebanese arena, these two questions are looking for answers which shall remain lost because the quicksand of the Lebanese reality swallows all analyses and possibilities in Lebanon.

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## COMMUNIST PARTY ANALYSIS OF SECTARIANISM

Beirut AL-NIDA' in Arabic 26 Jan 86 pp 16-17

[Article by Suhayl Tawilah: "Reality of Confessional Sectarian Predicament in Light of Communist Party Central Committee Communique"]

[Text] Predictions about the predicament of confessional sectarian plans and proposals have represented, almost from the beginning of the crisis, one of the constants of the democratic national course and its interaction with developments in the situation and the various aspects of the crisis from the practical and analytical point of view. Emphasis on this predicament is one of the key points around which the communique of the central committee of the Lebanese Communist Party [CPL], issued last year, revolved. It is no secret that constant emphasis on this conclusion, in light of the increasingly grave phenomenon of the preeminence of the confessional sectarian proposals and points of departure in the current struggle in Lebanon, raises some questions about the validity of this conclusion, not to say doubt about its authenticity. On what basis did the central committee of the CPL build its conclusion and in what analytical context did it view it?

## Facist Plan Dilemma

Viewing this matter from the viewpoint of a complete general analysis of the internal situation, as presented in the communique and the basic features that characterize the 1985 developments, both positive and negative, we find that the basic point of departure for the prediction about the predicament of confessional sectarian proposals in general is based on the predicament of the main sectarian plan: the facist plan, the plan of factional hegemony. The importance of calling attention to this basic point of departure has more than one facet. In addition to the fact that this plan was the main factor in provoking confessional and sectarian reactions that became, in some aspects, counter plans, and that is preceded and surpassed any plan of this kind from the standpoint of its ability to provide the means and basic factors for mobilization, we deem it useful, under current circumstances in particular, to point to another facet of this matter: comparison. The emphasis contained in the CPL documents on the facist sectarian plan predicament goes back to the very beginning, to



the early stages in the development of the Lebanese crisis, including that of its outset and progress all the way to its rise with the Israeli invasion. Under those circumstances as well, statements about this plan's predicament appeared to some people to be a kind of fumbling outside reality or a sincere wish, and, therefore, a task for generations at best. In the current circumstances, however, there is no denying facts that emerge daily about this predicament's scope and depth. Ever since the abrogation of the 17 May agreement, this stage has turned into one of regression with regard to this plan, which has been suffering one blow after another and one loss after another. Manifestations of its disintegration and the outbreak of contradictions and struggles among its sides and in its areas of influence constitute a basic feature of last year's developments and one of the most salient successes achieved that year to the benefit of the Arab national option and national struggle in general. Most analyses and assessments by various political circles and forces agree that the most likely possibility in the present situation, particularly following the signing of the tri-partite agreement, is that these contradictions will flare up and lead to more segregation and that the clash will reach its climax. This clash actually began with the recent fighting in the eastern section.

#### Main Source of Crisis

However, the true meaning of this basic point of departure in perceiving the predicament of confessional sectarian proposals, which is based on the facist sectarian plan predicament, does not fully emerge in its full depth unless we view it within the framework of the crisis as a whole, specifically from the viewpoint of its universality. Herein lies the importance of the communique's allusion that developments in the recent stage, principally the heroic struggle of the National Resistance Front, have borne out the party's main conclusion that the crisis of the Lebanese socio-economic political regime is growing deeper and deeper and will reach the state of an all-encompassing predicament which will be impossible to overcome. In this crisis lies this predicament, the facist sectarian plan predicament which has certainly failed to represent a forcible solution to this crisis, hence the predicament of every plan or other proposals based on the illusion that the crisis can be ended through another form of sectarian hegemony or a new formula for sectarian partnership. Regardless of the number and weight of the various factors on which it was based and by which sectarianism in Lebanon is nurtured, there is no doubt that its main source is the socio-economic political regime itself. Consequently, its crisis is also that of political sectarianism and various confessional sectarian manifestations. The universal crisis of this regime and its abysmal predicament are the basis for judging phenomena and developments in their final form and not in their phased ups and downs. And if every possibility, within the framework of such ups and downs, including the continuation and exacerbation of the phenomenon of confessional sectarian predominance, is a likelihood, such a development remains in the realm of the temporary. The only actual horizon it opens before the confessional sectarian plans and proposals is an apparent way out of the current predicament on the way to a more intense and more calamitous one.

### Three Salient Factors

However, the central committee of the CPL does not base its analysis and conclusion about the intensification of this confessional sectarian predicament on these main points of departure alone and related givens which have become a part of the current reality in which we are living. This analysis is also based on and delves deep into the other dark side of the current situation, specifically the destructive negative effects of the deteriorating confessional sectarian phenomenon itself and its growing influence on the principal parties to the current struggle in Lebanon. It may be said that this aspect of the central committee's recent communique is one of the key questions whose treatment has been preceded by a large number of givens. However, such treatment is marked by the fact that it does not delve into this dark side, but rather views it realistically from different angles and from a viewpoint of development so as to perceive in it any kind of proof that can substantiate the validity of the conclusion about the intensity of the confessional sectarian predicament and not the other way around.

Among the factors on which the communique of the CPL's central committee was based in analyzing this side of the question, we pause before three salient ones:

The first one is that the exacerbation in the confessional sectarian phenomenon has come to represent a stumbling block in the way of a radical solution to the Lebanese problem and even in the way of any form of settlement, including sectarian settlements to which confessional sectarian plans and proposals aspire. When sectarian points of departure preponderate, any form of settlement is rendered impossible because a decisive settlement on this basis turns into a form of genocide against this or that sect. This is impossible, unacceptable, and inadmissible. Moreover, confining the matter to these bases renders every accomplishment on the domestic level, and every reform as well, a mere exercise in extracting concessions from one sect for the benefit of the other, thus manifesting the question as that of winners and losers among the sects and not among the political forces. This, too, is impossible and unacceptable.

The second factor is that the exacerbation of the confessional sectarian trend has turned into a serious stumbling block in the way of national action, including the requirements for its development and advancement, and into a key reason for the imbalance in relations within the national rank, an imbalance which is threatening national destiny as a whole, as underscored by the central committee's communique. This factor, added to the intensification of American-Israeli reactionary conspiratorial activities, was aimed at the role, presence, and national symbols of all principal national factions, including those who have benefitted from some stimulating positive aspects of the initiatives undertaken by the sects and denominations in defense of their existence and their destiny. With the exacerbation of confessional sectarian proposals and their role in intensifying the partitionist disintegrative reality, these aspects have turned into a negative,

contradictory role that backfires against national action as a whole, and these factions in particular. Under such circumstances, it is impossible for any national faction to maintain its weight and to exercise its role on the basis of dualism between the national and the confessional. Within this framework lies the significance of the communique's assertion that all partitionist plans will ultimately take on some of the attributes of the Phalangist plan, regardless of the past record of the forces that play a role in its leadership, and will be compelled to seek protection within the framework of Arab reaction, and even in some sort of direct or indirect relations with Zionism and imperialism, and that no factional, confessional, fanatical plan can be viewed in isolation from the nature of the original facist and isolationist Phalangist plan.

The fact is that the outcome of such a course is predictable: falling into this destructive predicament. An eloquent example in this regard is the original plan itself. Therefore, we are able to affirm that under these circumstances which place the national movement before a critical juncture between the confessional factional trend and collapse and the democratic national course and advancement, any national faction worthy of this attribute will find itself sooner or later before an unavoidable critical choice between these two trends. At any rate, this juncture will lead to more contradiction and discrimination between these two basic trends in the development of the democratic national revolution: the conciliatory trend and the revolutionary trend, including all the consequences and effects on the mass movement and on relations between the progressive and national forces and within each of them. If the exacerbation of the confessional factional trend has reflected negatively on national action and was one of the most conspicuous causes of the crisis, it is a mistake to distinguish between the crisis and the predicament and to view the confessional sectarian predicament as one of national action itself. Indeed, it is a mistake not to see that the transformation of the congressional sectarian trend into a stumbling block impedes national action and constitutes a basic factor in this trend's predicament.

The third factor is the development we are witnessing in the popular position toward the phenomenon of exacerbated confessional and sectarian proposals and related practices and conduct, be it on the general political level or on the level of issues that have a direct bearing on the masses' security and life. And if it has become easy to perceive the mood and attitude of the masses through their clear reaction toward the decline of the trend and confessional sectarian practices into clashes and wars between factions of the same rank, with all their destructive consequences on people's lives, property, and means of livelihood, and toward various forms of excesses, hostilities, oppression, and domination--with this reaction manifesting itself in the form of overt action and struggle against this reality and these practices--then it is not difficult to sense changes in the political mood of the masses and to see clear indications of the turn their awareness is taking and their ultimate realization that action from confessional sectarian points of departure, even if it carries some temporary gains, fails to protect such gains and fails particularly to continue the battle

toward the realization of complete and true accomplishments that are important in the total liberation of Lebanon, the consecration of its Arabism, the restoration of its unity, and the realization of democratic change in it. This means, at the same time, a growing awareness of the fact that the achievement and preservation of these actual accomplishments, in addition to safeguarding significant national victories, can only be guaranteed by putting an end to the reality that is inciting confessional sectarian division and by rallying around the banner of a democratic national non-sectarian plan that can unify the progressive and national forces, instead of fragmenting them, and can enhance their role in Lebanon's unification and democratic development. By emphasizing this factor and its importance and the role of popular will at this critical juncture in the life of national action when the question of national alliances is no longer a closed issue but has become the property of the masses, the central committee's communique declared its confidence in the triumph of this popular will.

#### Impossibility of Sectarian Solution

We will not be repeating ourselves when we say that these three factors--and other factors of the same kind which we have not touched upon--agree with the givens that we have already discussed to underscore and confirm a key lesson of this crisis, namely the intensity of the regime's predicament and, hence, the impossibility of a sectarian solution to the crisis. Consequently, every confessional sectarian plan or proposal is sentenced to join this same predicament in the end.

However, we must pause before an extremely important aspect that emerges through this analysis, a basic element in the central committee's prediction about the predicament of confessional sectarian plans and proposals, which is that the party did not present this matter as an analysis only, but rather as a task in the struggle as well as a basic issue in the current conflict in Lebanon. Accordingly, it called for a greater involvement in this conflict, offering a scientific analysis to support this proposal and disclosing objective circumstances and self-capabilities which render this mission achievable. It also pointed out a way to handle the apparent imbalance in personal factors. On the basis of this analysis it called on the communists and their friends, progressive and national forces, all nationalist and progressive elements, and the broadest masses, the working class masses in particular, to develop and unify their struggle and step up their involvement in the struggle to correct its course by impeding confessional sectarian plans and proposals and concentrating their struggle on efforts to frustrate totally the fascist sectarian plan and, consequently, by opening the way, more and more to the democratic national solution, the only radical solution to the Lebanese crisis.

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GENERAL ECONOMIC SITUATION SEEN AS ENCOURAGING

London AL-TADAMUN in Arabic 25 Jan 86 pp 23-24

[Interview with Dr Muhammad al-'Imadi, minister of economy and foreign trade, by May 'Abbud: "Shortly We Will Export Oil in Large Quantities. Investors Need Not Worry About Their Money"; in Damascus, date not specified]

[Text] What is the status of Syria's economy? What are its problems and proposed solutions? These and other questions were directed to Dr Muhammad al-'Imadi, Syrian minister of economy and foreign trade, who answered them in the interview below.

[Question] How do you assess the status of the Syrian economy at the present time?

[Answer] The Syrian economy is the most balanced economy in this region. It comprises all the factors that enable it to meet the demands of its population. Our Syrian economy enjoys built-in structural advantages, including a sophisticated agricultural sector. Syria is practically the only Arab state that is largely self-sufficient in foodstuffs, save for some drought years when we were forced to buy wheat. The rate of food self-sufficiency in Syria is almost 86 percent, not a bad percentage and, compared to the other Arab countries, it is considered one of the best.

With regard to the industrial sector, it is famous and historic, considering that it has existed for a long time and has grown considerably in recent years. It no longer relies on agricultural industrialization or cotton products alone, but has expanded to include chemical fertilizers, iron bars and various construction materials, in addition to various electronic industries. Hence, the industrial sector is a diversified one that extends from the food industries to the manufacturing industries, the textiles industries, the engineering industries and the petrochemical industries, in addition to wide-spread traditional industries.

Besides the industrial sector, we have the oil and energy sector, which is an important one. In recent years, during which the government has concentrated its efforts on oil and gas exploration, good gas and oil reserves have been discovered. These new wells are expected to start production during the next few years, thus doubling the size of this basic sector, namely the gas and oil sector.

There is also the tourist sector, which is an important one in our country. Spending on it began a number of years ago and significant steps have been achieved in this domain. Various measures have been adopted to promote investment in this sector.

This is in addition to the trade sector, the transit sector, and other existing sectors. What I mean to say is that the Syrian economy draws its strength from its diversity. Perhaps what I mean is that the most important of these resources is the human element. The economy cannot grow without the presence of productive and dedicated people armed with qualifications that match new production tasks. Syria, thank God, has a work force able to contribute to the production process. Focus on this force has been on training and education. And since we believe in the necessity of preparing the Arab human being to be productive, special attention is being paid to schools and universities. The number of students in Syria is estimated at 3 million, or a third of the population, and our universities have over 130,000 students. Thus, I am able to say that the Syrian economy is strong and solid and has a bright future because of the great capabilities in the sectors of industry, agriculture, oil and gas, and tourism.

[Question] What about the financial and banking sector? What is its status?

[Answer] There is no doubt that Syria, like other developing countries, has various problems that reflect on it. Such problems include foreign debts that have been a burden to developing countries, higher prices of manufactured products which these countries import and lower prices of products they export to industrialized countries. This is in addition to changes in world monetary policies and various currency rates. All these things have had a basic negative effect on developing countries. Syria, compared to these countries, has been able to realize important steps in warding off the negative effects of these ups and downs on its economy. We are now moving within the framework of a basic and important policy based on the mobilization of all human and material resources available in our country for the sake of achieving a higher production rate able to support the economic, social, and political tendencies in our country.

[Question] What effect has the military burden had on Syria's economy?

[Answer] Military expenditures in our country are basic and indispensable. They are not the kind of cosmetic expenses one finds in other countries. They have been sustained as part of a basic fact that Syria is a confrontation state and a principal steadfastness state. Therefore, it has had to achieve the strategic balance urged by President Hafiz al-Asad. This is why the defense budget takes up 60 percent of the current expenses in our country.

[Question] Besides the public sector, there is another necessary and vital one, the private sector. What are you doing to encourage it and urge it to invest?

[Answer] This is a very important question. The truth is that we are making great efforts to support the private sector and remove the obstacles it is facing. In addition, however, we start, as I have said, from the need to mobilize all our financial, material, and human resources. In Syria, the private sector is a basic and dynamic sector as well and has been famous for its strength and dynamism in various ages. Hence, we must utilize this strength and dynamism to the advantage of the Syrian economy.

We have a number of different laws in force at present. But, in addition, we are trying to create proper investment climates from the standpoint of facilities extended in the foreign trade field or the field of taxes and various fees and different government loans to the private sector to help it carry out the business and investment activities which it is asked to undertake and also to exempt it from some provisions and terms that apply in various fields, including employment. There are a number of procedures and measures aimed at mobilizing this sector's resources with a view to directing them toward vast production events, particularly in the fields of agriculture and industry.

We have mentioned that we are advanced in agriculture and have achieved a self-sufficiency rate of 86 percent. However, we are still faced with the remaining 14 percent and with the need to realize objectives related to wheat production which we need in full amounts. We used to be a wheat-exporting country and we need to regain our position as an exporter of all kinds of food products. Public sector endeavors are welcome so long as they are devoted to higher production without exploiting the efforts of other citizens who contribute to the production process.

[Question] Can you give some examples of laws and procedures that facilitate private sector operations?

[Answer] I would like to mention Law No 348 of 1969 which allowed Syrian emigrants and investors to bring their money into the country to enjoy the facilities provided by this law, including permission for emigrants to import all the machinery and equipment they need to set up their projects without any kind of restrictions. They can import the raw materials they need to complete and operate their projects without any unnecessary procedures or restrictions. They can take their capital out of the country 5 years after the project's establishment on the basis of an annual rate of 25 percent of the value of the capital they brought in. They can take out of the country all profits made from the project. There are 5-year exemptions from all fees and taxes as of the date the project is put into operation. With regard to tourist projects, a recently-adopted decision provides for the exemption of 35 percent of profits realized by tourist projects, even beyond the full exemption period. In other words, there is a period of 5 to 7 years when projects are exempted from all fees and taxes and thereafter there is a 50 percent exemption from all fees and taxes imposed on tourist projects.

We have a project under study aimed at creating a new sector which we initiated some time ago with regard to tourist construction companies and a tourist marketing and transportation company. We are trying to pursue work in this field through the creation of a joint sector basically serving the agricultural and industrial sectors. This project, which is the focus of our attention, will afford agricultural and industrial projects very similar advantages to those that have been given to tourist projects. What I am trying to say is that perhaps a large number of investors are not aware of some of the advantages our country offers. For example, we are members of what is known as the Agreement to Facilitate the Movement and Investment of Arab Capital in Arab Countries and members of the so-called Arab Investment Guarantee Corporation as well as of the special agreement to settle investment disputes. These are the three activities that took place within the framework of the Arab League: the agreement to facilitate the movement and investment of Arab capital, the agreement to set up an investment guarantee corporation and a legal corporation, and the agreement to settle disputes. We, like the other Arab countries, are also members of the Investment Court. These various agreements provide Arab investors with vast capabilities that reassure them that their investments will be insured and guaranteed against all sorts of political risks. Of course, economic risks depend on the investor himself who can realize high profits from wise investments.

[Question] What about the fears of nationalization?

[Answer] These agreements guarantee that there will be no nationalization, seizure, or expropriation. Yes, these agreements guarantee the three no's with regard to investment. Moreover, I would like to say that investment is not only laws and regulations, but also a certain climate in a certain environment. We in Syria have the necessary workers, the technicians, proper climates, proper roads, railroads, telecommunications, electric power, and water.

[Question] At the opening of the Damascus International Fair, you invited emigrants and Arab financiers to invest in Syria. Has there been some response?

[Answer] The fact is that we have many applications and very wonderful beginnings. Not one month passes without receiving a large number of applications from people wishing to set up industries in our country. I do not want to say what these industries are for fear of divulging secrets investors may not want to make known. But I assure you that this invitation has been well-received. The interest expressed by Syrian emigrants and Arab investors who come to our country has been very encouraging and reassuring to me in that the policy followed by our country in encouraging capital investment will yield complete results. I would like to say that this matter is not limited to emigrants and Arab investors, but includes delegations from various countries such as West Germany and France. There is movement as well in the United States and Latin America where we have been receiving investment applications.



[Question] Do you have statistics or specific figures showing the rate of progress and growth in the Syrian economy?

[Answer] Certainly, the most important indicator is the per capita income: per capita income in our country was 555 Syrian pounds in 1970 and rose to 7,563 pounds in 1984. A comparison of investments undertaken by the public sector in 1970 and 1984, even at current prices, shows that in 1970 public sector investments totalled 638 million pounds, while now the total is 11.776 billion pounds, according to 1984 figures.

[Question] Notwithstanding the considerable rise in the per capita income, we feel that this income is still very low compared to market prices?

[Answer] The fact is that high prices are a phenomenon found in all countries of the world. Nonetheless, our prices, compared to those in other countries, may not be high. Nevertheless, an effort must be made to raise production so as to lower prices.

[Question] Does Syria export oil and has this sector reached the self-sufficiency stage?

[Answer] Syria is a member of OAPEC, but not OPEC. We are very close to achieving self-sufficiency. A barrier does exist but, God willing, in the next 2 years we will join the ranks of exporters. In other words, Syria will be a big exporter of gas and oil.

12502/9738

CSO: 4404/229

REPORT ON KHALEDA ZIA 27 FEBRUARY SPEECH AT NARAYANGANJ

Dhaka THE NEW NATION in English 28 Feb 86 pp 1, 8

[Text]

**NARAYANGANJ Feb 27 :** BNP chief Begum Khaleda Zia has called for building all-party action committees irrespective of political ideals and beliefs in every nook and cranny of the country to realise the demand for free and fair election to a sovereign parliament under non-party and neutral government.

She was addressing a huge public meeting here today at the DIT square. The meeting was chaired by Alhaj Hasan Jamal, Narayanganj district BNP general secretary.

The meeting was addressed, among others, by the party's General Secretary Mustafizur Rahman, Abul Hasnat, Kasimuddin Ahmed, Atahar Hossain Shamsu and Begum Ahsanullah.

Issuing a note of warning against the government's attempt to cling to power Begum Khaleda Zia said that the programme of direct action would be launched if the government did not step down by tomorrow (February 28).

She declared that the current wave of movement against the present government and martial law would enter into a new phase after February 28. The people have suffered a lot and will not remain passive any more, she added.

She alleged that this government was trying to play the game of a 'farical election' and added that it would be resisted by the people through a united movement.

The BNP chief said, 'by seizing power of the head of the present government made a commitment to the people that he was a soldier and politics was not his profession. Under compelling circumstances he had to assume power and he would transfer power to an elected

government in two years. Four years have already passed since then but the government is still giving bluffs to the people.

She further said, 'This government wants to cling to power by any means. The holding of farical referendum and upazila elections are glaring instances of his such efforts.'

She said that any election to be held by this government would be like 'the farical referendum and upazila elections' in which the people did not participate, yet casting of 93 percent of votes was projected.

Begum Zia called upon the government to take lesson from the Philippines and said that the people would launch an intensive movement to force this government to step down.

Begum Khaleda Zia said we are carrying on movement against martial law and the authoritarian rule and it was not against the army in any way.

She said that many of the valiant sons of the soil who had fought in the language movement were still alive. She urged them to put down their feet once again for the sake of democracy.

She stressed the need for creating a mass upsurge like that of 1969 to spread the flame of movement in every place of the country against the authoritarian rule.

Referring to the independence war in 1971 she said independence was not brought by any particular party or individual. It was achieved through united struggle by the people of the country, she added.

She called upon the people to be imbued with spirit of the war of independence to build up a massive movement and to carry it forward until the martial law was ended.

She appealed to the traders and businessmen of Narayanganj to sever all connection with the government and thus contribute to the intensification of the movement.

She added, "We will see this time whether the strength of the people is greater or that of the arms greater."

She said how President Ershad would understand patriotism since he was in Pakistan during the war of independence. Becoming a patriot does not besit him, she added.

Turning to the students she said that they had driven out the terror brigades of the government from the campus of Dhaka University. Now you have to further consolidate your unity and build up resistance in all places of the country to contain the terror brigades of the government, she told the students.

Extending support to the movements of all professional groups including teachers, agriculturists, doctors, engineers and workers she said that their sufferings would continue until this government stepped down.

She appealed to the government to immediately accent the demands of the striking secondary school teachers so that the ensuing SSC examination could begin on March 6 as per schedule.

She also called for fulfilment of the demands of PDB employees and exemption of the peasants from payment of outstanding credit. If their demands are not met, the government will

be forced to do it, she added.

Referring to the condition of jute, hosiery and yarn industries of the country she said that these industries had been facing destruction under the present government due to its wrong policy. Under this government there is no growth of industries while the industries which were set up during the BNP government were threatened with closure, Begum Zia pointed.

She said that the country had been turned into a beggar because of its heavy dependence on foreign aid under this government.

Referring to the Talpatti and Angorpota issues Begum Khafeda said the government is silent when our island Talpatti has been occupied by others and our men in Angorpota blockaded.

She concluded her address saying that the movement would continue until the end of Martial Law and authoritarian rule.

Mustafizur Rahman said that those who had deserted the party would not be allowed to return to its fold. He called for their identification so that they could be taught a good lesson in the future.

Abul Hasnat gave a call to the people to destroy the Jatiya Party.

Abdul Matin Chowdhury said that the government and the people had reached a stage of confrontation and hence there was no alternative to the direct action to force the government to step down.

/9274

CSO: 4600/1533

# TRIBALS RETURNING TO CHITTAGONG HILLS

Dhaka THE NEW NATION in English 28 Feb 86 p 1

[Text]

The prospect for peace in the Chittagong Hill tracts has brightened further following the return of a large number of Chakma tribesmen from across the border by the middle of the current month.

Nearly four thousand Chakma tribesmen returned to Bangladesh from Tripura and Mizoram states of India till February 16.

The returnees came through Gamurha and Tarpaghat border points. The first batch of 50 families came early this month and the rest trickled back later.

They were received by officials who provided them with blankets, clothings and food. They were now being rehabilitated in their own homes. The administration would provide money for rebuilding of their houses and food rations for 17 weeks, which would last till the next harvest. They would also receive help from the government to grow their food.

Their return was arranged after a meeting between local district officials of Bangladesh and India in January this year.

The tribals had left their homes after a clash with the local people in late 1984 at the persuasion of the so called 'Shanti Bahini.'

Living in miseries in the camps across the border 444 of them including 176 male and 268 females died of various diseases. Another 70 persons belonging to nine families remained unaccounted for said the New Nation Rangamati correspondent A.K.M Maqsood.

According to our Chittagong Bureau, the return of the tribals is expected to help resume the adjourned meeting between the administration and the Larma faction of the Shanti Bahini. Their first meeting took place in November last year. It was adjourned till December. But the next meeting did not take place.

According to informed sources, the Larma faction had been waiting for the return of the tribal refugees from across the border and on their eventual rehabilitation.

Now that they have come back and the resettlement programme is going on the talks are likely to be resumed shortly, the sources said.

The Shanti Bahini broke into two factions and for the last three years they were engaged in bloody in-fighting. The in-fighting dwindled their number. The pace of the Government's development programme and resettlement after amnesty led to the large of nearly 4000 of them last year. Some more returned to civilian life. They were helped back to normal life.

Most of those who surrendered belonged to the Priti faction of the Shanti Bahini. Their surrender and rehabilitation led to a liaison committee consisting of persons acceptable to both side to arrange talks to facilitate surrender of the Larma faction of the Shanti Bahini.

The sources believe that the final end to the flickerings of hostilities in the hill tracts is coming soon as the remaining rebels return to normal life after peace talks.

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: CSO: 4600/1533

COMMUNISTS SPEAK AT FIRST CHHATRA MOITRI NATIONAL MEET

Dhaka THE NEW NATION in English 5 Mar 86 pp 1, 8

[Text]

The two-day first national conference of Biplobi Chhatra Moitri began yesterday at Dhaka University 'Battala' with the call for a united movement aiming at establishing democratic order in the country.

The conference was addressed by Communist League Presidium member Abdul Matin. Communist League General Secretary Bimal Bishwas, Workers Party General Secretary Nazrul Islam, Communist League presidium member Shardendu Dastidar and Communist League Presidium member Shah Alam Manik while Biplobi Chhatra Moitri President Fazle Hossain Badsha presided.

Mr. Abdul Matin said that the student community could play vital role in social revolution and added that they could bring change in the society.

Mr. Matin called upon the students to analyse the past movements and find the mistakes to avoid there in future. He also called upon the students to scrutiny the present movement with the experience of the past.

He also asked the students to reject the parliamentary election as it was announced ignoring the

five points.

Referring to the Dhaka University situation he said that the image of the whole student community was being tarnished due to a few armed hooligans.

Mr Bimal Bishwas said that the present government was hatching conspiracy to hold parliamentary election in what called Pakistan style.

Mr Nazrul Islam said that martial law was continuing due to the internal conflicts in different political parties.

Mr Shardendu Dastidar in his address called upon all the leftist forces to unite for the greater interest of the movement.

Mr. Fazle Hossain Badsha in his presidential address called upon the students to take fresh vow to continue the present movement till the martial law was put to an end.

He also called upon the government to accept the students 10-point demand.

Mr Badsha, president of the organisation and convenor of the preparatory committee of the first national conference, inaugurated the conference in the morning.

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CSO: 4600/1537

DHAKA, BANGKOK TO FORM JOINT COMMITTEE ON TRADE

Dhaka THE NEW NATION in English 2 Mar 86 pp 1, 8

[Text]

Bangladesh and Thailand yesterday agreed on the formation of a joint committee on trade to review the progress in the implementation of the agreement alternately in Dhaka and Bangkok at least once a year, reports BSS.

Both sides agreed to this effect when the visiting Thai delegation led by Mr Phairojana Jayaphorn, Deputy Commerce Minister held a meeting with the Commerce Secretary, Mr ABM Gholam Mostafa to discuss trade relations between the two countries.

During discussion with the visiting delegation, the Commerce Secretary expressed satisfaction at the existing friendly relations between the two countries and observed that the trade between the two countries has not grown to the extent desired. He further noted that the existing trade has been marked by a persistent imbalance against Bangladesh and stressed the need for increased import into Thailand from Bangladesh for reduc-

ing the imbalance.

The Thai Deputy Commerce Minister reciprocated the sentiments and agreed to intensify efforts for increasing imports from Bangladesh.

The commerce secretary also expressed interest in the export of tea under a long-term arrangement. The Thai side agreed to examine the proposal.

The Thai Deputy Commerce Minister expressed keen desire to import upto 10,000 tons of jute from Bangladesh this year.

The Bangladesh side agreed to the proposal. The Bangladesh side also showed interest in entering into a counter-trade arrangement involving jute from Bangladesh and sugar from Thailand.

During the discussion the Bangladesh side also showed interest in the export of raw jute, jute carpet, tea, crustfinished leather, leather goods, newsprint, bulb, paper and paper products, pharmaceutical products, light engineering goods etc. to Thailand. The Thai side expressed interest to export rice, cement, sugar, animal-feed etc. to Bangladesh.

The Thai delegation had also discussion with the Chairman, Trading Corporation of Bangladesh.

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CSO: 4600/1534

## TEXT, COMMENT ON FINANCE MINISTER'S BUDGET SPEECH

## Part A of Text

Calcutta THE TELEGRAPH in English 1 Mar 86 pp 1, 6

[Text]

**F**ollowing is the text of Part A speech of the Union finance minister:

Sir,

I rise to present the budget for the year 1986-87. The budget is a powerful tool for achieving our socio-economic goals as laid out in the plan. Our Prime Minister, Mr Rajiv Gandhi, reminded us not so long ago:

"Development must be accompanied by equity and social justice—by removal of social barriers that oppress the weak. This is the essence of our concept of socialism."

These objectives have guided the formulation of this budget.

The economic developments in the current year have been described in detail in the economic survey, which was placed in the House earlier this week. Therefore, I will confine my remarks to a few key features of our economic performance:

Growth in GNP in 1985-86 is expected to be between 4.5 and 5 per cent, which is close to the target envisaged in the seventh five-year plan. This is a distinct improvement over the 3.5 per cent growth estimated for 1984-85. In contrast to the disappointing agricultural performance in 1984-85, when net output is estimated to have declined by 1 per cent, growth this year is anticipated to be about 3 per cent. Foodgrains production had fallen to 146 million tonnes in 1984-85. Despite drought in several parts of the country, we expect food output to be about 150 million tonnes in the current year.

### Industrial output

After a slow start, industrial production has picked up and the rate of growth in October and November, 1985, exceeded 8 per cent. For the financial year as a whole it is expected that the growth rate will be close to 7 per cent. The acceleration in growth of industrial output largely reflects higher production in the manufacturing sector, which had shown low rates of growth in the previous three years. It is heartening that the production response to changes in industrial policy has been positive.

An important priority of the government is to improve the functioning of the infrastructure sectors. I am glad to inform the House that in the first ten months, thermal power generation registered an increase of more than 15 per cent over the corresponding period of 1984. Railway freight has also recorded a commendable increase of 9 per cent in the first eight months of this financial year. This is double the annual average rate of increase during the sixth plan. Despatches of coal increased by 10 per cent in the first eight months.

The increase in the wholesale price index in the current year upto February 8, 1986, was 3.4 per cent as against 5.4 per cent last year. Among items of particular interest to the consumer, the largest increase in wholesale prices has taken place in wheat, pulses, fruits and vegetables, eggs, fish, meat, sugar and gur. On the other hand, prices of rice, condiments and spices, tea, coffee and edible oils have remained stable or have actually declined.

The House will recall that the last budget ushered in major reforms in our system of direct taxes. At that time, many a prophets of doom had prophesied that revenues will fall and buoyancy of the tax system, such as it was, will be further eroded. Exactly the opposite has happened, collections from major taxes have increased by 22 per cent over the previous year, which is the highest increase in a decade. Collections have also exceeded budget estimates by a large margin. What is even more pertinent is the 36 per cent increase (over budget estimates) in personal income taxes. In the current year, we have succeeded in reversing the declining trend in the ratio of direct taxes to GNP.

### Revenue yield

This is a testimony to the soundness of our strategy of increasing revenue yields through a combination of reasonable rates, simpler procedures and strong enforcement of tax laws. We have raised more from the rich by way of income-tax, and not less. The proof of fiscal policy is, not in empty theorising, but in the revenue that it generates.

The government has launched an intensive drive against smugglers, black marketers and tax evaders. There cannot, and will not, be a compromise on this score. Those who abuse the nation's trust must be dealt with firmly and with full force of the law. Considerable success has already been achieved in curbing the growth of black money,

and the government will spare no effort to root out this evil.

However, I do not propose to dwell only on the strong points of our economic performance. I would like to take this opportunity to highlight some of the policy issues and to seek the advice and support of this august House in coming to grips with them. Let me, therefore, share with you a short list of key problem areas on which we, in the government and Parliament, must take urgent action, both through this budget and by other means.

The budget is now under severe pressure to meet the growing burden of expenditure on account of interest payments, defence, subsidies and assistance to states. An important issue before us is to find sufficient resources for financing the public sector plan. This is not a partisan issue or the problem of a particular government in power and I believe that a frank debate is essential for the long term economic health of our nation. In a nutshell, the core of the problem is simply that internal generation in public sector enterprises is not measuring up to the task of financing a plan of the size that is essential for our development.

### **Resource crunch**

The severity of the problem can be illustrated by the experience of the current year. The seventh plan visualises that 53 per cent of the central plan will be financed through resources of public enterprises, and 47 per cent will be financed through the budget. In the first year of the plan, in view of the paucity of internal resources, the budget had to finance 66 per cent of the central plan, and not 47 per cent. We have been successful in increasing tax revenues sharply, and beyond plan targets. But higher revenues have been more than offset by increase in food and fertiliser subsidies and assistance to states. The higher budgetary support to the plan, therefore, had to come from additional domestic borrowings and higher level of deficit financing.

Collectively, we must address ourselves to the basic issue of raising resources for the plan without fuelling the fires of inflation. The plan is not something abstract. It is more schools, more roads, more irrigation, more jobs, in a word, more development. It embodies the hopes and aspirations of our people for a better future. We cannot slacken our efforts to implement it fully.

Public sector has a key role in bringing about the transformation of our economic structure. We must work hard to strengthen it. A number of public sector units in this country are functioning very efficiently and producing surpluses for reinvestment. These units provide irrefutable evidence that the public sector can perform as well as the best, given the right set of circumstances. Unfortunately, there are also a number of public enterprises whose losses have become a drain on the resources of this nation, which could have otherwise been used for the greater benefit of the common man.

### **Work environment**

The government for its part will be taking steps to improve the working environment of the public sector enterprises, and improve their profitability. But beyond that, we must involve workers and the management in the task of revitalising the public sector. This, if anything, is the need of the hour.

We also have to find a way of reducing the non-plan expenditure, however painful it may be. Subsidies serve an important social purpose, and constitute a legitimate charge on society's resources. However, the question that we must ask ourselves is: how fast and how far they can be allowed to grow without cutting into resources for investment in our future. Food and fertiliser subsidies have now reached Rs 3,700 crore and have increased by over 40 per cent per annum in the last three years. Even with buoyant tax revenues, this order of increase is simply not sustainable. At pre-

sent rates of growth, these subsidies would have reached Rs 14,000 crore by the end of the seventh plan. At this rate, total subsidies would exceed Rs 41,000 crore for the plan period. This is equal to the entire central plan for the first two years. To put it in another way, this amount would be sufficient to provide one deep tube-well and one primary school building in each village of the country. The issue is what balance to strike.

The government is initiating a process of thorough review of our expenditure policies and procedures. We have to cut every rupee of wasteful expenditure get more out of every rupee of essential expenditure, get more out of every rupee of essential expenditure, and improve efficiency all round. A full debate on what we can and must do to reduce expenditure is necessary and I would like to invite the suggestions of the Hon'ble members on these issues.

### **Administered prices**

There has been a healthy debate in the country regarding the impact of administered prices on the inflationary situation. When all other prices are changing, some changes in Administered prices are necessary and inevitable. But the government accepts the view that as far as possible there is need to stabilise the prices of critical commodities. In order to clarify the issues involved, and to initiate an open debate on the appropriate approach, the government will present a policy paper on administered prices to Parliament.

The balance of payments is another area of concern, as I had pointed out in my budget speech last year, some of the factors that have worked in our favour in the 6th plan will not operate with the same vigour in the 7th plan. As anticipated, growth of oil production, which had shown an increase of 18 million tonnes in the 6th plan, has slowed down. The world environment for trade and concessional assistance continues to remain unfavourable. Against this background, it is essential to strengthen further the measures to conserve scarce foreign exchange. In particular, we must pursue a concerted programme for energy. In the



current year alone we are likely to pay nearly Rs 1,100 crore more for oil imports. The net foreign exchange outlay on this account may exceed Rs 4,600 crore as against about Rs 3,500 crore in the previous year. Can we afford this?

In order to overcome domestic shortages, we also had to import large quantities of sugar and edible oils. Policy initiatives have already been taken to encourage higher domestic production of sugar and edible oils. These have begun to yield results. The potential for further expansion of output of oilseeds, particularly minor oilseeds, is immense. Later in my speech, I propose to announce a package of incentives, which will provide support to domestic cultivators of oilseeds. Our farmers have responded magnificently to the task of increasing yields and absorbing new technology. As a result of their effort, we are now self-sufficient in foodgrains. As Indiraji so rightly observed:

"In a country where half the national income comes from farming, agricultural self-reliance is the basis of all self-reliance."

### Export growth

Export growth is essential to pay for our vital imports without getting into a debt trap. The international environment for our exports, however, continues to be unfavourable with the intensification of protectionist tendencies and a low rate of growth of the world economy. This makes it all the more necessary that greater impetus is given to industries which have made important contributions to our export effort. Several steps were taken in the last budget for export promotion. I shall be carrying this process further in the current year's budget. Separately, the Reserve Bank of India is announcing further liberalisation of pre-shipment credit facilities for exports.

The government will keep external borrowings at prudent levels consistent with our debt-servicing capacity. Our record in this respect has been enviable. And we intend to keep it that way.

Over the past year, the government has taken wide-ranging steps to modernise the Economy, accelerate industrial growth, encourage more economic scales of production, upgrade technology and promote rehabilitation of enterprises facing temporary difficulties. Although the full effect of these recent initiatives will take time, as I said earlier, these have already had a favourable impact on manufacturing output. However, overall industrial growth still remains below our full potential.

Aside from further measures to promote overall growth in industrial output and employment, we have to devote special attention to the domestic capital goods industry. This industry, has been painstakingly built over decades and makes a valuable contribution to our self-reliance. It deserves our full support. I shall be making certain proposals in order to provide further encouragement to the growth of the capital goods industry.

### SSI fund

Small-scale industry has played a vital role in increasing our exports, generating employment opportunities, and reducing the concentration of economic power. It has been truly said that "great engines turn on small pivots." In order to provide a focal point for coordinating financial assistance to this sector at the apex level, it is proposed to set up a separate special fund, called the Small Industries Development Fund in the IDBI. This fund will also be charged with the responsibility of providing refinancing assistance for development, expansion and modernisation of small scale industry. It also proposes to announce a new scheme for excise exemption for small scale industries which should considerably facilitate their growth.

## Agriculture

Agriculture is at the centre of our development strategy. The quality of agricultural performance is the single most important factor in reducing the incidence of poverty in rural areas. Through sustained and prolonged efforts we have become a surplus producer of wheat. But, as our heavy imports of sugar and edible oils testify, production of some important crops remains inadequate.

Correcting this imbalance in cropping pattern will ease the pressure on our balance of payments and lead to better use of our agricultural resources. To ensure that our approach is not ad hoc, we must work towards evolving a longer term policy, which takes full account of regional differences in yields of different crops. In particular, the reduction in uncertainty and instability in agricultural prices will provide more assured incomes for farmers, and thus encourage production response in desired directions. With a view to providing protection to farmers, last year, a comprehensive crop insurance scheme was introduced. This year, such a scheme will also be extended to fruit cultivation. As a further step to reduce uncertainty, I am glad to inform the House that my colleague, the hon'ble minister for agriculture, has already initiated work on the formulation of a longer term price policy for important crops in consultation with agricultural experts and scientists.

Broad-based agricultural development provides the most effective way of tackling our central problem of poverty. But we must also recognise that the fruits of development do not always reach the poorest sections of our society, especially in regions where agricultural development is lagging. For them the best hope for higher incomes and better living conditions lies with the major anti-poverty programmes of Integrated Rural Development Programme, National Rural Employment Programme and Rural Landless Employment Guarantee Programmes. These programmes are

at the forefront of our assault on poverty and for many millions they represent the difference between the despair of destitution and the hope of gainful employment. In the next year's budget, I shall be proposing an increase of nearly 65 per cent in the allocation for these programmes. The programme for housing for scheduled castes and scheduled tribes, announced by me last year is also being strengthened.

### **Housing for poor**

Many of the programmes for the welfare of the poor and the needy are the gifts of our late Prime minister, Smt. Indira Gandhi, to the nation. It will be a fitting tribute to her memory to name the new housing scheme for scheduled castes and scheduled tribes as "Indira Awaas Yojana."

It is only proper that the banking system, which is the repository of peoples' savings, should use these savings to further our national objectives, particularly in respect of poverty alleviation and rural development. I am glad to inform the House that in the year 1985, the advances of public sector banks to the priority sector reached 43.4 per cent as against the target of 40 per cent. Under the Integrated Rural Development Programme, banks have advanced loans of Rs. 3,100 crores to 16.5 million persons below the poverty line during the sixth plan. In the seventh plan, the target of the number of beneficiaries is 20 million. Of them, six million will belong to scheduled castes and scheduled tribes.

It is also necessary to use our social banking and insurance infrastructure for tackling the problem of urban poverty. Rickshaw-pullers, cobblers, washermen, porters, barbers, hawkers, sweepers and cart-pullers are among the particularly disadvantaged. The government proposes to introduce a new scheme which will provide loans through the banking system with a subsidy component, so that the repayment burden on beneficiaries is effectively reduced. The scheme will provide for purchase of equipment and

loans for working capital for the self-employed, such as, rickshaw-pullers, cobblers, washermen, barbers, hawkers and cart-pullers. Details of this scheme are being worked out in consultation with the Reserve Bank of India, and will be announced separately.

### **Accident insurance**

I also propose to introduce a new scheme for accident insurance for the benefit of municipal sweepers and railway porters. This scheme, the details of which will be announced separately by the Life Insurance Corporation, will provide group insurance through the workers' unions. The scheme will provide life insurance cover of Rs. 5,000 with double accident benefit to the members of a union, provided 75 per cent of the members agree to join the scheme.

In the last budget, I had introduced a personal accident insurance social security scheme for the poor families in 100 districts of the country. As the scheme has been widely welcomed, I propose to extend it now to 200 districts. The scheme will cover the risk of death by accident in respect of earning members of poor families in rural and urban areas comprising landless labourers, small and marginal farmers, traditional craftsmen, small traders and others. The entire cost of this scheme is borne by the central government.

The true asset of our country is its labour. It was in recognition of this that last year, I had announced a series of measures for the benefit of industrial and other workers. These included measures to give workers' dues the same priority as secured creditors in the event of closure of companies, the increase in the limit on the salary or wage on which bonus is payable to employees from Rs. 750 per month to Rs. 1,600 per month, the introduction of a stock option scheme and increase in the monetary ceiling on the exempt amount of retrenchment compensation from Rs. 20,000 to Rs. 50,000. These proposals were implemented during the year. In addition, the eligibility limit for bonus payments which was Rs. 1,600 earlier was raised to Rs.

2,500. We have also increased the industrial D.A. for public sector employees from Rs. 1.30 Rs. 1.65 per point increase in the consumer price index.

### **Savings schemes**

It is necessary to improve the return that workers and employees earn on their hard earned savings. I, therefore, propose to increase the interest rate on contributions to the provident fund. The rate of interest on general provident fund for government employees is being raised from 10.5 per cent to 12 per cent. To benefit other workers covered by the employees provident fund, Coal Mines Provident Fund Act and the like, interest on provident fund accretions invested in special deposits with government is being raised from 11 per cent to 12 per cent. The pattern of investment is also being changed to permit the funds to invest upto 85 per cent of the accretions in special deposits with government as against the existing limit of 30 per cent. I also propose to increase the interest rate from 10 per cent to 12 per cent on public provident fund which is intended for the self employed persons and those not covered by other provident fund schemes.

The expansion of housing is essential for the welfare of workers and their families. I, therefore, propose to considerably liberalise the depreciation provisions in respect of outlays on workers' housing. Government will encourage all industrial units, large and small, to pay special attention to this area. The Housing and Urban Development Corporation has been playing an important role in building houses for economically weaker sections, and providing housing loans at low rates of interest. The government will expand assistance to the weaker sections for housing.

In view of the role of construction activity in creating employment opportunities, while meeting an important and universal social need, government will consider suggestions for giving a boost to this activity. We have to ensure that housing scarcity is reduced by increasing the supply and availability of houses. Tax

concessions, which merely increase the demand for houses without increasing their supply, are unlikely to be helpful. There are several financial and non-financial factors inhibiting construction activity, and it is necessary to have a thorough debate on these. The government would welcome suggestions from the Hon'ble members and the public on this question.

### **Investors' interests**

Among developing countries, India has the distinction of having one of the highest rates of savings. This is a tribute to the habits of hard work and thrift of our people. An important objective of government policy in the last few years has been to provide opportunities for investment of these savings in productive channels, particularly financial assets. These policies have proved remarkably successful, and today nearly 65 per cent of household savings are being invested in financial assets as against only 46 per cent in 1979-80. The household sector accounts for over 80 per cent of our national savings, and the substantial increase in the holding of financial assets augurs well for the future development of our financial and capital markets.

There is considerable interest among small investors in investing in shares quoted in the stock exchanges with a view to getting the benefit of capital appreciation. Most, however, lack the necessary expertise and are also subject to exploitation by unscrupulous elements. In order to provide a channel for such investors, it is proposed to set up a new mutual fund in the public sector as a subsidiary of the Unit Trust of India. Investment in units of the proposed mutual fund would qualify for exemption of capital gains under section 54-E of the Income Tax Act, subject to certain conditions. This will be in addition to the already existing facility of investment in the units of the Unit Trust of India.

An important innovation to tap people's savings, particularly rural savings, for public sector projects was announced by me last year. Public sector companies in telecommunications and power sectors have been

permitted to raise funds from the public through a new series of bonds. These bonds provide an attractive rate of interest, and are quoted in the stock exchange. As a further innovation, in the next year, the government will introduce another series of public sector bonds with a tax free return. In addition, other benefits, such as wealth tax exemption will also be available. I am sure that people will respond enthusiastically to this opportunity for contribution to the country's development.

### **Monetary system**

At this point I would like to refer to a somewhat technical matter, which nevertheless has an important bearing on the impact of fiscal management on the rest of the economy. This relates to the measurement of budgetary deficit. The Chakravarty Committee, which was set up by the Reserve Bank of India to review the working of the monetary system, has observed that the budgetary deficit, as conventionally defined in the budget documents, does not accurately measure the monetary impact of the government's fiscal operations. The committee has, therefore, recommended that the budgetary deficit should include changes in the entire RBI credit to the government, including changes in RBI's holding of long dated securities. The government proposes to accept, in principle, this recommendation of the committee. This modalities for effecting the change in the definition of budgetary deficit will be worked out in consultation with the Reserve Bank.

The government also proposes to accept the committee's recommendation for setting overall monetary targets, which can be monitored, and which will help bring about better coordination between fiscal and monetary policies, and make their overall management more scientific. There are certain technical difficulties in devising operational rules because of short-run volatility of monetary variables. An exercise to develop operationally meaningful targets will be undertaken by the government on an experimental basis in the next year.

I shall now turn to the revised estimates for 1985-86 and the budget estimates for 1986-87.

### **Revised estimates**

There were several important developments in regard to budget estimates for revenue and expenditure presented by me last year. As I mentioned a little while ago, tax revenues have exceeded budget estimates by a large margin. The revised estimates show an increase of Rs 2476 crore, which is 21 per cent higher than last years' tax realisation, and 10 per cent higher than the budget estimates for 1985-86. Direct taxes will be 15 per cent higher than the budget estimates and income-tax collections are expected to be as much as 36 per cent higher. This order of increase in direct tax collections is unprecedented. The centre's share of taxes will increase by 19 per cent over 1984-85 and that of states by 30 per cent. Another heartening feature of fiscal developments is the sharp increase in small savings collections. These will be 23 per cent higher than the budget estimates and 32 per cent more than the previous year.

As regards other receipts, non-tax revenue will be 2 per cent higher and capital receipts including market borrowings, external assistance and small savings will show an overall increase of 8 per cent.

Taking advantage of buoyancy in tax revenues and satisfactory behaviour of other economic indicators, including the high level of food stocks, the government decided to step up the central plan by Rs 1594 crore. The revised estimate for the central plan is Rs 20,094 crore as against budget estimates of Rs 18,500 crore. Budgetary support for the central plan has been stepped up by Rs 1484 crore or by 13 per cent. In the additional allocations, particular care has been taken to provide adequately for the infrastructure sectors like railways, steel and aluminium, on the one hand, and anti-poverty programmes, on the other.

### **Non-plan spending**

Several states continued to face problems of resources in the first half of the current year. A number of steps were taken to help them in overcoming these problems. I shall refer to them a little later.

Coming to non-plan expenditure, additional provisions amounting to Rs 440 crore were made for interim relief, liberalised ad hoc bonus, pensionary benefits and additional dearness allowance sanctioned to government employees in the current year.

Defence expenditure is placed at Rs 7862 crore as against budget estimate of Rs 7686 crore. Interest payments are estimated at Rs 7400 crore, which is about 5 per cent higher than the budgeted estimate of Rs 7075 crore.

There was, however, substantial increase during the year on account of food and fertiliser subsidies. The revised estimates for these subsidies are Rs 1650 crore and Rs 2050 crore, representing an increase of 50 per cent and 14 per cent respectively, over the budget estimates. Altogether, subsidies will be 24 per cent higher than the budget estimates.

The revised estimates for total receipts are Rs 46,017 crore as against the revised estimates of expenditure of Rs 50,507 crore, leaving a deficit of Rs 4490 crore. The budget deficit is thus expected to be higher than the budget estimates. However, despite this, the rate of growth of money supply in the economy has been lower than in the previous year. The deficit has been absorbed by the economy without unduly aggravating the overall liquidity position.

### **Budget estimates**

In framing next year's budget estimates, my first priority has been to provide adequately for the plan. As the House is aware, the seventh plan envisages a total public sector outlay of Rs 1,80,000 crore of which Rs 95,534 crore has been earmarked for the central plan at 1984-85 prices. To finance this order of central plan, as pointed out in the document on long term fiscal policy, an outlay of about Rs 18,000 crore at 1984-85 prices was required for 1986-87. At present prices, this is roughly equivalent to Rs 20,000 crore.

The annual plan discussions conducted by the Planning Commission with the ministries, however, revealed that a much higher order of plan outlay is required for 1986-87, in order to maintain the momentum of in-

vestment in the core public sector, and accelerate the implementation of anti-poverty programmes. It has, therefore, been decided to allocate Rs 22,300 crore for next year's plan. This constitutes a massive increase of Rs 3,800 crore or 20.5 per cent over the budget estimates for 1985-86. Although this is by no means sufficient to fulfil all our needs, I believe that this order of increase will enable us to meet our urgent requirements. Taking the first two year together, we would have provided over 40 per cent of the seventh plan outlay in real terms at 1984-85 prices. This is substantially better than in the first two years of the sixth plan.

I am also happy to inform the House that the total plan outlay of states, for 1986-87 has been fixed at Rs 15,880 crore, representing an increase of 21 per cent over the current year. For the Union territories, the plan outlay has been fixed at Rs 872 crore compared with current year's level of Rs 640 crores. It is also a matter of satisfaction to me that the centre provided substantial additional resources to states in the current year which has strengthened the financial position of states.

### **States' share**

Compared with 1984-85, as I mentioned earlier, the states' share of central taxes has gone up by 30 per cent. This reflects the sharp increase that has taken place in revenue collections as also the increase in the share of states as a result of the recommendations of the finance commission. I am glad that centre's efforts to improve tax collections have also been of substantial benefit to states. There has been a steep increase in other forms of transfer of resources as well. The states' share in small savings has registered an increase of 50 per cent and the centre's plan assistance to states for drought and flood relief. A medium-term loan of Rs 1,628 crore was also provided to the states in order to clear their overdrafts with the Reserve Bank of India. I had made it clear that the overdraft regulation scheme would have to be strictly adhered to in all circumstances and I am glad that the states have conformed to it. A problem that has bedevilled the fiscal picture for more than a decade has thus been solved. I should make it clear that this problem will not be allowed to recur.

Taken together, there has been a massive increase of as much as Rs 7,542 crore or 51 per cent in centre's transfers to states and Union territories inclusive of assistance for central and centrally sponsored schemes in the current year as compared with 1984-85. In 1986-87 the budget estimates for total transfers to states on various counts is estimated at Rs 20,708 crore which is 15.4 per cent more than budget estimates for 1985-86.

### **Poverty alleviation**

Let me now deal with some of the important sectors in which the annual plan for 1986-87 will provide a major thrust. First and foremost, we propose to provide a quantum jump in the allocations for poverty alleviation programmes. The outlay for department of rural development for 1986-87 has been fixed at Rs. 1851 crore compared to an approved outlay of Rs. 1239 crore for 1985-86—an increase of nearly 50 per cent. Hon'ble members will recall that during the current year, the government had announced schemes for construction of low cost rural houses for scheduled castes/scheduled tribes and bonded labour, distribution of food-grains at a concessional price to the people in the integrated tribal development projects, extended coverage under nutrition programme for young children, pregnant women and nursing mothers and expansion of the coverage of the rural landless employment guarantee programme and the national rural employment programme by allocation of additional food-grains. It is proposed to continue with these programmes during the next year also. An offtake of about 2 million tonnes of food-grains is expected under these programmes in 1986-87. These programmes are designed to fulfil a commitment made by our Prime Minister, Mr Rajiv Gandhi.

Consistent with this government's commitment towards the alleviation of rural poverty, greater emphasis has been laid on programmes which are of direct benefit to the weaker sections of the society, especially the scheduled castes and scheduled tribes. The allocations and targets for some of the anti-poverty programmes in 1986-87 are:-

(1) National rural employment programme will generate employment of over 300 million man-days in 1986-87 as compared to 253 million man-days in the current year. The centre's outlay for this programme has been stepped up from Rs. 230 crore in 1985-86 to Rs. 443 crore next year—an increase of 93 per cent.

(2) The rural landless employment guarantee programme will generate employment of 264 million man-days next year as compared to 209 million man-days in the current year. The central outlay for this programme for 1986-87 is Rs. 633 crore which is 58 per cent higher than the current year's budget estimate of Rs. 400 crore.

(3) The centre's allocation for integrated rural development and related beneficiary oriented programmes is Rs. 428 crore in 1986-87 as against Rs. 283 crore in the budget estimates in the current year—an increase of 51 per cent. In the first nine months of the current year, 15.3 lakh families were assisted under the integrated rural development programme of which 6.3 lakh families belonged to scheduled castes/scheduled tribes. In the seventh plan, the integrated rural development programme is expected to assist nearly 20 million families.

(4) The outlay for housing schemes for scheduled castes/scheduled tribes and bonded labour is being enhanced from Rs. 100 crore to Rs. 125 crore. In 1985-86, projects worth Rs. 146 crore involving construction of 1.5 lakh houses have been approved. This important programme will receive a further boost.

### **Rural water supply**

The rural water supply continues to be part of the minimum needs programme as well as revised 20-point programme. At the beginning of the sixth plan there were 2.31 lakh problem villages out of which 1.92 lakh were provided with at least one safe source of potable water during the sixth plan period. In the seventh plan, priority will be given to provide drinking water to the remaining 39,000 problem villages. It is expected that these villages will be covered by 1987-88. A provision of Rs. 317 crore has been made for this purpose in 1986-87.

Agriculture and allied sectors enjoy a natural priority in all our development efforts. The total central outlay for the concerned departments has been stepped up from Rs 2,207 crore in the current year to Rs 2,838 crore in 1986-87—an increase of 29 per cent. This includes the outlay on the programmes of rural development, details of which I have just mentioned. As the hon'ble members know, the central outlay of Rs 2,838 crore will be in addition to the allocations made by the states for these sectors in their own plans.

The fertiliser plants at Hazira and Thal Vaisht have commenced production in the current year and will augment the production of nitrogenous fertiliser considerably. Production of fertilisers in 1986-87 is expected to go up to 6.9 million tonnes, which is an increase of 21 per cent over the current year. The provisions for Aonla project of IIFCO and Vijaipur project of National Fertilisers Limited—the other major gas based fertiliser projects next year are Rs 205 crore and Rs 180 crore respectively.

A major thrust in the seventh plan is development of human resources. This includes education, sports, youth affairs, health, family welfare, women's welfare, environment, art, culture and broadcasting. I propose to enhance the outlays for programmes in this sector from the current year's level of Rs 1,236 crore to Rs 1,733 crore for 1986-87—an increase of over 40 per cent.

### **Education**

Education, the Hon'ble members will agree, is the main instrument of change. Accordingly, I propose to increase the outlay on education from Rs 221 crore in the current year to Rs 352 crore for 1986-87. This implies an increase of over 59 per cent.

In the field of education mention may be made of two schemes. It has been decided to set up model schools in every district of the country to provide education of high quality and excellence. I propose to provide Rs 25 crore in 1986-87 for this scheme. For providing equal opportunities to the students in the remote and backward areas in the field of higher education,

a national open university has been set up for which I have provided Rs 7.5 crore for 1986-87.

Radio and television are powerful vehicles for spread of information and education. Successful implementation of new concepts and special schemes like dissemination of knowledge in remote areas through open university are also dependent on the spread of broadcasting. With a view to enlarging the broadcasting infrastructure, I propose to step up the outlay for the ministry of information and broadcasting in the current year from Rs 110 crore to Rs 242 crore—an increase of 120 per cent.

The 'new education policy' will be presented by the ministry of human resource development during this session of Parliament. I believe, the policy will give the highest priority to universalisation of primary education and to spread of adult literacy in 15-35 age-group within the shortest possible time. Stress is also being laid in the new policy on consolidation of secondary education and on launching a large programme of employment-oriented vocational education. Besides, scientific research and training of technical manpower will receive high priority. The government is committed to implement the education policy as approved by Parliament.

### **Pollution**

We have adopted the goal of "health for all" by the year 2000 AD. This is sought to be achieved mainly by expansion of primary health care programmes, which as hon'ble members know, form part of the state plans. I propose to provide Rs 200 crore for programmes of the department of health during next year, of which Rs 123 crore will be on programmes for control of communicable diseases. For family welfare programmes I propose to provide Rs 530 crore for 1986-87.

Art forms and cultural heritage foster national integration as well as national development. I, therefore, propose to increase the outlay of the department of arts and culture from Rs 19 crore for this year to Rs 59 crore for 1986-87—an increase of more than 200 per cent. A new scheme is being launched for setting up

zonal cultural centres to highlight the cultural kinships that exist among the states and people, as part of the composite Indian culture.

The government is deeply concerned about the problems of pollution. A major scheme—the Ganga action plan—has been launched during the current year for prevention of pollution of river Ganga. This is an interdisciplinary programme being implemented by the Central Ganga Authority. The proposed outlay for this scheme for 1986-87 is Rs 52 crore as compared to the current year's level of Rs 10 crore. The higher provision will cover a large number of action plan schemes covering sewage treatment to be implemented during 1986-87.

The government has set up the National Wastelands Development Board with the objective of bringing wastelands under fuel wood and fodder cultivation. I propose an outlay of Rs 15 crore for this programme for 1986-87. This will be in addition to the provision of Rs 20 crore made for social forestry including rural fuel wood plantation.

### **Core sector outlay**

A necessary feature of development process is the creation of needed infrastructure facilities in sectors like coal, power, railways, petroleum and surface transport which constitute the core of the public sector. In the seventh plan, the outlay on infrastructure accounts for Rs 45,649 crore out of the total central sector outlay of Rs 95,534 crore, i.e. nearly 48 per cent. I am proposing an outlay of Rs 10,805 crore for 1986-87 as against Rs 8,751 crore in the current year—an increase of 23 per cent—for departments of coal, power, petroleum and natural gas, railways and surface transport taken together. This accounts for 48 per cent of the total central sector plan outlay for 1986-87.

The outlay of the department of power is being stepped up from Rs 2,090 crore in the current year to Rs 2,575 crore in 1986-87. During the current year, the capacity for power generation in the country is ex-

pected to be augmented by more than 4,000 mw against the seventh plan target of 22,245 mw. Of the additional capacity likely to be created in the current year, 865 mw will be from the central sector projects. In 1986-87, the installed capacity is expected to further increase by about 4,000 mw. Thus, the first two years would account for 36 per cent of the plan target.

The performance of power stations owned by National Thermal Power Corporation, a central public sector undertaking, is a matter of satisfaction. In the first 10 months of the current year, these power stations attained a plant load factor of 67.9 per cent against the national average of 51.3 per cent.

### **Atomic power**

A notable achievement in the current year is the attainment of criticality by stage II of Kalpakam atomic power station of 235 mw on August 12, 1985. The commissioning of this plant marks the complete indigenisation of the technology for natural uranium heavy water reactor. The year also witnessed the commissioning of one of the largest research reactors in the world—the 100 mw Dhruva—at the Bhabha Atomic Research Centre. It is also a matter of great pride for us that with the fast breeder test reactor at Kalpakam attaining criticality, we have joined the select group of countries which have made a major breakthrough in the fast breeder technology.

An important project approved during the year in the power sector is the Mejia thermal power station of the DVC. The project—located in Bankura district of West Bengal—envisages creation of 630 mw capacity at an estimated cost of Rs 566 crore. It is proposed to set up three power plants, one each at Kawas (Gujarat), Anta (Rajasthan) and Auraiya (Uttar Pradesh) based on natural gas, which together would create additional capacity of 1,500 mw. An outlay of Rs 100 crore is proposed for these three projects during 1986-87.

The government has decided to set up a power finance corporation. The corporation will augment resources for financing of the power projects, including renovation and modernisation schemes. A provision of Rs 100 crore has been made for renovation and modernisation in the annual plan for 1986-87, out of which Rs 70 crore will be provided for the proposed corporation.

An allocation of Rs 3,300 crore has been made for the ministry of petroleum and natural gas for 1986-87. The production target for crude oil for the next year has been set at 30.21 million tonnes. A sizeable increase in despatches of natural gas is also anticipated. In 1986-87, the despatches are expected to be 4,677 million cubic metres which will be 28 per cent more than in the current year.

### **Coal development**

In the Indian context, coal continues to be the most important primary source of energy. Keeping in view the increasing demand for coal and the long lead time associated with development of coal mines, I am increasing the outlay for the department of coal from Rs. 1,102 crore in the current year to Rs. 1,350 crore in 1986-87—an increase of nearly 22.5 per cent. The target for production of coal for 1986-87 has been fixed at 166.80 million tonnes which is 12.30 million tonnes higher than the anticipated production during the current year.

Despite impressive growth in the transport sector, the capacity of the entire transportation system continues to fall short of demand. There is also an immediate need for replacement of the overaged and obsolete assets. Keeping this in view, a total provision of Rs. 3,875 crore has been made for the ministry of transport for 1986-87, inclusive of Rs. 2,650 crore for the railways, separately provided in the railway budget. Railways' freight traffic target for the next year has been fixed at 294 million tonnes—an increase of 17 million tonnes over the target for the current year. The year also witnessed a remarkable improvement in the utilisation of assets and financial performance by railways.

For 1986-87, I am proposing an outlay of Rs. 1,350 crore for the department of steel which includes Rs. 700 crore for the Visakhapatnam steel plant. Hon'ble members will be glad to know that SAIL which had incurred a loss of Rs. 214.61 crore in 1983-84 has turned the corner. In 1984-85 the company earned a nominal profit of Rs. 4.24 crore. In the current year, the profits are expected to be over Rs. 100 crore.

The outlay for the department of atomic energy has been raised from Rs. 495 crore to Rs. 550 crore and for department of space from Rs. 165 crore to Rs. 217 crore.

### **Telecommunications**

The proposed outlay for the department of telecommunications for 1986-87 is Rs. 915 crore. With a view to improving the operational efficiency of the telecommunication network, the government has decided to set up a public sector corporation to manage and operate the telephone services of the metropolitan cities of Bombay and Delhi. This corporation will also raise funds through the issue of bonds.

A scheme for providing self-employment to educated unemployed was announced by the late Prime Minister, Mrs Indira Gandhi, on August 15, 1983. For 1986-87, a provision of Rs. 103 crore has been made for this scheme compared to Rs. 65 crore in the current year—a step up of 58 per cent. For the khadi and village industries commission, I am providing Rs. 100 crore for 1986-87. In the seventh plan, employment coverage in the khadi and village industries sector is expected to increase from 37 lakh persons to 50 lakh persons.

Tourism promotes understanding and national integration. Tourism is also an important source of earning foreign exchange for the country. The seventh plan outlay on tourism at Rs. 139 crore is 93 per cent higher than the outlay for the sixth plan. For 1986-87, an outlay of Rs. 26 crore is proposed. With a view to encouraging tourism, further steps are being taken for improving the tourist infrastructure.

The hon'ble members will be glad to know that with the priorities assigned in the annual plan 1986-87, implementation of the 20-point programme will gain further momentum. Compared to Rs. 4,900 crore in the current year, the outlay for this programme in the central plan for 1986-87 will be Rs. 5,998 crore.

### **Allocations**

Coming to non-plan expenditure, I have provided Rs. 8728 crore for defence compared to Rs. 7,862 crore in the current year. The House will agree with me that in view of the pressure on our borders, there cannot be any compromise with our security.

Reflecting the increase in market borrowings and small savings mobilisation for development, interest payments will also increase to Rs. 8,750 crore against Rs. 7,400 crore in the current year. I am also making a provision of Rs. 1,750 crore for food subsidy and Rs. 1,950 crore for fertiliser subsidy and the total of the two is the same as in the revised estimates for the current year. Other non-plan expenditure has been kept to the minimum. This includes a lump sum provision of Rs. 300 crore for additional dearness allowance to government employees.

On the receipts side, I have assumed a 17 per cent growth in tax revenues over current year's budget estimates. In the estimates for non-tax receipts, I have taken note of the repayment next year of the instalments of compulsory deposit deferred during the current year.

Under capital receipts, only a modest increase of 4 per cent has been assumed under market borrowings over the current year. Small savings collections, however, are expected to yield 10 per cent more than current year's revised estimates and 36 per cent higher than the current year's budget estimates.

The total receipts next year are estimated at Rs. 48,767 crore and the total expenditure at Rs. 52,862 crore leaving a gap of Rs. 4,095 crore at the existing levels of taxation.

I shall now turn to my taxation proposals.

## Part B of Text

Calcutta THE TELEGRAPH in English 1 Mar 86 pp 5, 6, 13

[Text]

**F**ollowing is the text of Part B speech of the Union finance minister:

In the last year's budget I had announced the government's intention to formulate a long term fiscal policy coterminous with the plan. I am glad that the government has been able to keep this commitment. The statement of the government's long term fiscal intentions has, I am aware, greatly reduced the speculation and drama that has traditionally surrounded budgets. I hope Hon'ble members will agree that the loss in dramatic content has been more than compensated by the gain in imparting a stable framework, and much greater opportunity for open debate, in relation to government's fiscal policies.

A primary thrust of this budget is to implement the various elements of the long term fiscal policy. In particular, I shall be proposing a major overhaul of our system of excise taxation, which will reduce the cascading effect of multi-point excise levies and help in reducing costs and prices to consumers. This budget will strengthen the development of handlooms, improve the supply of cheaper cloth, and lower duties on drugs and medicines and certain other articles of interest to consumers.

I also propose to liberalise the excise exemptions scheme for small scale industry, which will encourage growth of this sector and create more employment opportunities. In order to promote self-reliance and encourage domestic production, I propose to provide substantial help to domestic production of edible oils and to the indigenous capital goods industry. Naturally, I shall also be making certain proposals for raising revenue, the burden of which will fall on the affluent sections of society.

### Direct taxes

I would be brief in setting out my proposals for direct taxes as these have been discussed in the long term fiscal policy. We are introducing legislation to give effect to the following proposals:-

(1) A funding scheme is being introduced which will replace the scheme for investment allowance. Assesseees will be allowed deduction to the extent of 20 per cent of the profits if these are deposited with the Industrial Development Bank of India or utilised for purchase of plant and machinery. Surcharge on companies which was largely being deposited with the Industrial Development Bank of India, is being abolished from assessment year 1987-88, along with the introduction of the new funding scheme.

(2) Investment allowance will not be available in respect of plant and machinery installed after 31.3.1987. The benefit of both investment allowance and the funding scheme will not be available in the same assessment year.

(3) I had earlier proposed in the long term fiscal policy that, as part of the reform package, surtax on corporate incomes will not be charged from assessment year 1987-88. In the interest of revenue, I am postponing giving effect to this measure by one more year.

(4) In regard to capital gains taxation, the date of determining the cost of assets is being advanced from 1.1.64 to 1.4.74, and a uniform rate of deduction at the rate of 50 per cent is being prescribed for long term capital gains from buildings and lands and 60 per cent from other assets. Bonds issued by the Industrial Development Bank of India and bonds issued by other notified public sector agencies are also being added to the list of investments qualifying for exemptions from capital gains. The limit for initial deduction is being increased from Rs 5,000 to 10,000. The present period of one year for purchase of a residential house in a case where the capital gains arise on sale of an old house is being increased to 2 years.

### Depreciation

As promised in the long term fiscal policy statement, I propose to introduce a system of allowing depreciation in respect of blocks of assets instead of the present system of depreciation on individual assets. Simultaneously, I propose to rationalise the rate structure by reducing the number of rates as also by providing for depreciation at higher rates so as to ensure that more than 80 per cent of the cost of the plant and machinery is written off in a period of 4 years or less. This will render replacement easier and help modernisation. Apart from those items which are eligible for 100 per cent depreciation in the initial year itself, there are at present different rates for plant and machinery. I propose to have only two rates of depreciation at 33-1/3 per cent and 50 per cent. Plant and machinery used as anti-pollution devices and those using indigenous knowhow, are proposed to be placed in a block carrying the higher rate of depreciation of 50 per cent. Buildings meant for low-paid employees of industrial undertakings will be entitled to depreciation at 20 per cent as against the general rate of 5 per cent for residential buildings and 10 per cent for nonresidential build-



ings.

It has been brought home to me that of late I am not very popular with housewives. Their support and sympathy, I cannot afford to lose. Therefore, I propose to raise the standard deduction from 25 per cent to 30 per cent of salary income. The ceiling will be increased from Rs 6,000 to Rs 10,000. The measure will benefit 3.5 lakh tax payers in the fixed income group. I am giving this benefit on the condition that it will be duly passed on to the housewives.

While the medical needs of some groups of salary earners are taken care of by the employers, there is no such provision in the case of other salary earners and of self-employed persons. In order to provide some relief in respect of medical expenses by such persons, I propose to allow a deduction out of the total income of such persons, subject to limits, of the amount spent by them on medical treatment or paid as premium on medical insurance policies taken by them with the General Insurance Corporation of India.

In line with the long term fiscal policy another major step being taken is to empower the government with a per-emptive right to purchase properties which are offered for sale in the market at the price agreed to by the transferer. To being with, this provision will apply to properties valued at over Rs 10 lakh located in metropolitan cities. An honest seller, wherever he may be, will not be hurt by this measure. For the rest, it is between them and the income-tax department and God:

## Wealth tax

One of the vexatious problems in wealth tax has been the determination of the market value of assets. In order to eliminate the endless controversy and litigation arising out of this, we have decided to frame simpler rules for the valuation of assets such as shares, residential properties, commercial properties, jewellery, etc. and these will be notified by the end of March, 1986.

In the long term fiscal policy I had announced the intention of the government to retain gift tax, and review its provisions with a view to rationalising them. The following amendments are being made in the Gift

## Tax Act:

(a) The basic exemption limit will be raised from Rs 5,000 to Rs 20,000,

(b) Gift tax will be levied at a flat rate of 30 per cent of the value of the taxable gifts,

(c) The provision relating to aggregation of gifts will be deleted,

(d) Certain exemptions like those relating to national defence gold bonds, 1980, gifts to the spouse, gifts of policies of insurance, gifts in the course of carrying on a business, etc. and gifts to any other person upto a maximum of Rs 500 are being withdrawn.

There is at present tax deduction at source from out of winnings derived from race and lotteries. I propose to tax these windfall profits at a flat rate of a casual and non-recurring nature will simultaneously be raised from Rs 1,000 to Rs 5,000. Income from any winnings from crossword puzzles, card games, other games of any sort or from gambling or betting of any form or nature whatsoever, races including horse races (other than income earned by owners of race horses by way of stake money) and winnings from lotteries will not be aggregated with other incomes. That is to say, losses, if any, from other business will not be allowed to be set off against winning from races or lotteries.

It has been said that 'whoever plays deep must necessarily lose his money or his character'. In depriving the lucky winner of his money, I hope I would have contributed to the building of his character.

## Dividends

The above measure along with the withdrawal of certain other tax concessions in respect of inter-corporate dividends, will net additional revenue of Rs 54 crore.

It is proposed that part of the benefit of tax deduction on export profits should be allowed to be transferred to the supporting manufacturers. This will help increase our exports.

The long term fiscal policy recognises the need to widen the tax base and to bring all persons who have income above taxable limit, into the tax net. For this purpose, it is necessary to carry out surveys. An amendment is being made to authorise the income-tax authorities to collect

certain information. We are also taking separate steps to strengthen survey, investigation and prosecution machinery of the income-tax department.

In the long term fiscal policy, I had indicated the outline of a National Deposit Scheme (new series) for public discussion. I am grateful for the comments and suggestions received from the general public, experts and also many Hon'ble members of Parliament. Suggestions have been received for liberalising its provision as well as for making these more restrictive. In view of the importance of this measure, I have decided to refer this proposal to the committee on expenditure tax for more intensive examination. I am asking them to submit their report on this aspect by May, 1986.

## Research levy

The long term fiscal policy has also proposed the creation of a venture fund to promote indigenous technology, to be administered by the Industrial Development Bank of India. It was proposed that as a source of funding this scheme, a small 5 per cent research and development levy will be imposed on all payments made for purchase of technology from abroad, including royalty payments, lump sum payments and payments for designs and drawings. A separate bill to give effect to this levy will be introduced in Parliament.

## Interest capitalisation

We also propose to carry out the following amendments:—(A) investment allowance and depreciation is claimed on the basis of actual cost. In the past few years a number of companies have been using an accounting practice of capitalising the entire amount of interest on the monies borrowed for acquiring of plant and machinery. This artificially inflates the cost of the assets and the net worth of the company. We are clarifying that the capitalisation of interest paid or payable will not be allowed after the asset is first put to use.

B) The ceiling of investment in plant and machinery for the small scale sector is being raised from Rs 20 lakh to Rs 35 lakh, as mentioned last year and would be applicable to all cases where the previous year ends after March 17, 1985. This enhancement will be relevant also for the grant of investment allowance and for reduction in respect of profits and gains from newly established small scale industrial undertakings in rural areas.

C) There is, at present, a great disparity between persons in receipt of house rent allowance and those provided with rent free accommodation, the former being worse off in the matter of payment of taxes. Amendments are being introduced to do away with this discrimination.

D) At present notional income from self-occupied house is being taken into account for taxes. It is proposed to exempt such notional income.

E) I propose to rationalise the tax deductible from the gross amount of incomes earned by way of royalties and fees for technical services by foreign collaborators at a uniform rate of 30 per cent.

### **Indirect taxes**

We had initiated a simplification exercise in the last budget which has been continued this year. It is proposed to bring out a comprehensive new direct taxes code by June, 1986.

The total effect of these proposal will be a revenue loss of Rs 33 crore and a revenue gain of Rs 54 crore. The net increase in revenue will, therefore, be Rs 21 crore.

I now come to my proposals relating to indirect taxes.

An important item in our agenda for 1986-87 is to initiate reform in the system of indirect taxes. The first step was taken in the winter session of Parliament when new tariff bills for customs and excise were introduced based on the harmonised system of classification. The new structure is scientific and international. In the second stage, the tariff structure with such amendments of duties, as will be carried out in this budget, will replace the old ad hoc structure.

In excise taxation a vexatious question which has been often encountered is the taxation of inputs and the cascading effect of this on the value of the final product. The long term fiscal

policy had stated that the best solution would be to extend the present system of proforma credit to all excisable commodities with the exception of a few sectors with special problems like petroleum, tobacco and textiles. This scheme, which has been referred as modified value added tax (Modvat) scheme—I shall stress Modvat, not Madvat—allows the manufacturer to obtain instant and complete reimbursement of the excise duty paid on the components and raw materials.

### **Modvat**

The Modvat scheme provides a transparency which discloses the full taxation on the product and its introduction is an important measure of cost reduction. Amount of excise duty payable depends upon the value of the final product and the rate of duty. Introduction of Modvat will decrease the cost of the final product considerably through the availability of instant credit of the duties paid on the inputs and consequential reduction of interest costs.

It would be noticed that the Modvat scheme avoids the payment of duties on earlier duties on earlier duties paid. The payment of duty drawback will be swifter as the element of excise duty will be transparent. It will, therefore, benefit both the consumers and exporters.

However, in view of the novelty of the scheme, we have to hasten slowly and implement the Modvat scheme in stages. As a first measure, I propose to introduce Modvat scheme for all goods covered by 37 specified chapter of the Central Excise Tariff Act, 1985. The scheme as a result would cover products of chemical and allied industries, paints and packaging materials, plastic, glass and glassware, rubber products, base metals and articles of base metals, machinery and mechanical appliances including electrical equipment,

motor vehicles and certain miscellaneous manufactured products. This would imply that as long as the input and the final product are covered by the specified 37 chapters and the final product bears some duty of excise, credit of duty on the inputs covered by these chapters will be available.

The proforma credit given will cover both excise duty and additional duty of customs also known as countervailing duty. Set off will also be available for packaging materials, consumables, paints though these are not strictly raw materials. Items outside these chapters availing proforma credit and benefits of set off under any erstwhile schemes would be allowed to continue to get the relief to the extent the revised tariff headings permit. However, the Modvat scheme and the erstwhile schemes, to the extent they are continued, will be mutually exclusive.

### **Proforma credit**

The Modvat scheme will be in force from 1st March, 1986. Manufacturers who fulfil the requirement will be able to avail of proforma credit in respect of the permissible goods which have suffered duty of excise from 1st February, 1986 and are either in the stocks or are received by the manufacturer on or after 1st March, 1986.

As stated earlier, the introduction of Modvat scheme will result in considerable reduction in the cost of final product and, therefore, to retain the collection of excise duties at the earlier level, the rates of duties on the final product have been suitably adjusted. After accounting for the set off, the duty rates have been rounded to the nearest step in the new duty structure. While all care has been taken to work out the incidence of set off benefits, the scheme being a new one, central board of excise and customs would take corrective steps wherever anomalies are noted.

In respect of small scale industry, the objective of reform is to ensure that the scheme of concessions is a ladder and not a lid. That is to say, such concessions should facilitate and encourage healthy growth of the small scale units and prevent unnecessary fragmentation and bifurcation of units. With this end in view, I

propose to introduce a new scheme of excise concessions for small scale units. The proposed scheme will considerably enhance the scope of concessions available to the small scale sector. Under the new scheme, the full exemption will continue to be available upto clearances of Rs. 7.5 lakh in a year which account for nearly 85 per cent of the small scale units in the country.

### Excise concession

Under the chief existing scheme, excise duty is chargeable in slabs of 25 per cent, 50 per cent or 75 per cent of the duty rate upto a turnover limit of Rs 40 lakh. After that, full duty is chargeable until turnover reaches Rs 75 lakh. If a unit crosses this level it loses the entire exemption. It has been noticed that the present slab rate system has provided strong temptation for small scale units to stay below a particular limit or to under-state their actual production. Under the new scheme, in respect of clearances in excess of Rs 7.5 lakh, the excise concession will be available at a flat rate of 10 percentage points below normal duty, subject to a minimum excise duty of 5 per cent. This concession will apply upto a turnover limit of Rs 75 lakh. Thereafter the unit will pay normal duty but continue to enjoy the concessional rate on the first 75 lakh of turnover. However, this concession will be lost when the unit has crossed a turnover of Rs 1.5 crore.

As a transitional measure and to overcome possible handicap in certain marginal cases, I am proposing that units in the turnover range of Rs 7.5 lakh to Rs 15 lakh may be allowed to pay concessional excise duty either at a rate of 10 percentage points below the excise duty rate, or 25 per cent of the excise duty but not less than 2.5 per cent. The relief corresponding to this turnover range will also continue to be available to units with higher turnover for the prescribed period of one year.

An important feature of the new scheme is its universal applicability to all types of excisable goods with a few exceptions like cosmetics, TV sets, refrigerating and air-conditioning appliances, etc.

A new and major concession which is being allowed to the small scale sector relates to grant of proforma credit under the Modvat scheme. We are providing that proforma credit would be equal to the notional normal duty even when the small scale units would have paid only concessional duty.

The introduction of this new SSI scheme from 1st March, 1986 will mean a revenue loss of Rs 75 crore.

### Special excise

In last year's budget special excise duty had been removed from as many as 100 items from the excise tariff. I now propose to remove the special excise duty on the remaining 32 items of the old tariff.

My next set of proposals relate to incentives for greater production of edible oils. It is well known that the potential of production of oils from rice bran, oil cakes, cotton seeds, tree oil seeds is not fully exploited. A big thrust to maximise extraction of such oils, especially edible oils from these sources is proposed to be accomplished by the following measures:

(1) If minor oils like rice bran oil, mahuwa oil, water melon seed oil, sal seed oil and mango kernel oil are used by the vanaspati units in excess of 3 per cent in the total oil mix, an excise duty relief of Rs 100 per metric tonne on vanaspati will be given for each additional percentage point of use of such minor oils.

(2) In case cotton seed oil is used in excess of 15 per cent in the total oil mix for vanaspati production, a relief of excise duty to the extent of Rs 30 per tonne of vanaspati for each additional percentage point of use will be given.

The maximum relief for the use of minor oils and cotton seed oil together will not exceed Rs 1000 per tonne.

(3) The extent of relief in case of use in soap is being increased to Rs 25 per tonne for each additional percentage point of minor oils in excess of 3 per cent of such oils in the total oil mix. The relief now will be available for 10 additional minor oils apart from the 4 minor oils which enjoy the concession today at a lower rate.

(4) The excise duty on solvents is being brought to nil from the existing Rs 1050 per kilolitre.

(5) Hardened inedible technical oils, fatty acids, soap-stocks and acid oils are being exempted from excise duty. This measure is expected to reduce imports and encourage the greater use of minor technical oils.

(6) Plant and machinery as may be identified by the department of civil supplies for improving the quality and increasing the production of solvent extracted oils or oilmeals will be exempted from customs duty or excise duty, as the case may be.

(7) It is proposed to provide a cash compensatory support of 10 per cent of the fob value of oil meal exports.

The poorer sections of our society consume unrefined vegetable oils made from crushing of domestic oilseeds and it is proper that such oils continue excise duty free. We do not allow the use of crushed groundnut oil or mustard oil in vanaspati so that it remains available for direct consumption by the weaker consumers. There is, however, a production of less than 5 lakh tonnes of refined edible oils which is consumed by the affluent classes. In general, the prices of these refined oils are even higher than those of vanaspati and the commercial margins are high. I propose to levy excise duty of Rs 1500 per tonne on costly refined edible oils in line with the excise duty on vanaspati. However, to encourage the production of new refined minor oils, we propose to exempt from this levy refined oils from soyabean, rice bran, cotton seed and sunflower.

The total revenue gain on account of the excise duty on a few refined vegetable oils will be Rs 80 crore in a year, while the total revenue loss as a result of the above described measures would be Rs 82.20 crore. These proposals would, therefore, be revenue negative to the extent of Rs 2.20 crore.

## Export promotion

I have to announce the following measures which will help exports and export production:-

(1) Export duty on unmanufactured tobacco has lost its rationale. In order to provide a competitive edge to the unmanufactured tobacco in the international market and to ensure that the tobacco farmers are able to get a fair price, I propose to provide total exemption from export duty on this item.

(2) Garment industry is poised for rapid development and exports and we have recently conceded to them a drawback rate of 7.5 per cent. In view of the potential of this industry for exports and employment, it is proposed to further improve the general drawback rate to 10 per cent.

(3) It has been a long standing demand of the footwear industry that the scheme of excise concession to small scale units of footwear production present granted to units with 2 hp and 49 workers should be reviewed. The small units in case of footwear are the backbone of the production structure. It is now proposed to extend the general scheme of exemption to small scale industries to the footwear sector also.

In view of the shortage in the availability of wattle bark to our industry, the import duty has been reduced from 70 per cent to 40 per cent ad valorem.

The import duty on leather-shaving blades is being reduced from an average rate of 72.5 per cent to 40 per cent.

(4) Improvement in marine products export earnings will be come about by modernisation of the plants to improve the quality of product and also by moving over to added value product. It is, therefore, proposed to reduce import duty on specified machines used in processing and packaging of marine products from the existing rate of 100 per cent to 40 per cent (basic and auxiliary).

## Excise relief

(5) We have a potential for development of exports of cigar cheroots and cigarilloes. This would require development of production of branded products which will sell both in the domestic and in the export market. It is proposed to do away with the excise duty presently levied on branded cigars, cheroots and cigarilloes. Excise duty

on branded hukka tobacco is also being abolished. I may confess that total excise collections on these items were insignificant. Those who cannot afford to smoke cigarettes can now turn to cigars and cheroots.

(6) gem and jewellery—a reduction of import duty in respect of 74 items of machines, equipment and tools is being made from the existing level of 40 per cent to 228 per cent ad valorem to 25 per cent. Arrangements are also being made to allow export of gem and jewellery through air mail and parcel post from Bombay and Jaipur.

The concessions given in the interest of exports will cost the exchequer Rs 12.94 crore on the customs side and Rs 9 lakh on the excise side.

In the textile sector, considerable relief has already been provided in August, 1985 as part of the implementation of the first stage of the textile policy. From a review made by the department of textiles, it is observed that the market prices of fibre, blended yarn and fabrics showed a declining trend upto November, 1985, though some increase was noticed in December, 1985 and January, 1986. On the production side, there has been an increase in production of blended yarn from 129.72 million kgs during July-December, 1984 to 146.72 million kgs during July-December, 1985. It may, however, take some time to realise the full benefits of the duty reliefs. Under the 'Sulabh' cloth scheme, National Textiles Corporation has been provided with duty free polyester fibre and production of such cheap blended fabrics would go up to 50 million metres in 1986-87.

The textile policy also aims at encouraging production of blended fabrics on handlooms. Government is considering a scheme whereby specified handloom organisations can be provided blended yarn made from duty free polyester fibre. For the present, I propose to fully exempt blended polyester cotton and polyester viscose yarn with certain polyester content supplied to specified handloom organisations. Duty is also being fully waived on processing of specified blended fabrics by specified handloom development organisations.

Handloom cess, which is now being collected at the rate of 1.9 paise per square metre is utilised for development of handlooms. I propose to raise the cess to 2.5 paise per square metre. The revenue gain of Rs 3.23 crore from this measure will be utilised for setting up an enforcement machinery to ensure that the items reserved for the handloom sector are not encroached upon by other sectors of the textile industry.

I propose to extend exemption from excise duty to cover all shoddy woollen products. These will include blankets, melton cloth, shoddy shawls and other fabrics.

As a measure of relief to the woollen industry, I propose to reduce the import duty on raw wool from 40 per cent to 20 per cent ad valorem. To make up this loss and also to avoid assessment disputes, I propose to increase the import duty on wool waste and woollen rags from 10 per cent to 20 per cent.

As Hon'ble members are aware, a reduced rate of customs duty of 25 per cent ad valorem was provided in respect of a few sophisticated textile machines in the year 1983. I propose to continue those reliefs for one more year. Moreover, in order to encourage domestic production of certain sophisticated textile machines, I propose to provide a reduced rate of customs duty of 25 per cent ad valorem in respect of components of such machines. This will involve a loss of Rs 2.74 crore in a year.

To protect jute bag industry, I propose to levy duty on synthetic tapes at the rate of Rs 10 per kg where input duty relief will be available, on other tapes the duty will be Rs 4 per kg. This will also result in a revenue gain of Rs 15 crore in a full year.

Our review of the earlier reliefs given during 1985 have shown that while reliefs were passed on by the fibre manufacturers, the blended yarn producers did not do so after an initial period of decline in prices. The prices of blended yarn produced by many of the important companies has gone up to or near the level prior to the grant of excise relief. I think it is necessary to establish the principle that if the

spirit of reliefs given in the interest of consumers is not respected, the government will withdraw the reliefs. I am reducing the reliefs given to the yarn producers roughly by about 50 per cent. On their future conduct will depend our further response.

The government is also committed to increasing the share of additional duty (in lieu of sales tax). I propose to raise the additional duty of excise on cotton and man-made fabrics of value exceeding Rs 50 per square metre by Rs 2.50 per square metre. This will yield a revenue of Rs 18 crore for the states.

The above proposals will lead to a gain of Rs 55.83 crore in excise duty and a loss of Rs 2.74 crore in the customs duties.

We have received a number of representations from associations of industries and from the concerned ministries pointing out the need of certain rationalisation which are unimportant from the revenue angle but would remove difficulties for the industry or will bring down the leakage of revenue.

Paper industry has been representing that the scheme of relief to the paper units using at least 50 per cent unconventional raw materials does not encourage the mills to increase production.

In the new scheme which I am proposing all paper mills whose clearances did not exceed 24,000 tonnes in the previous financial year and which do not have a bamboo or wood pulp plant will pay duty at the rate of Rs 300, Rs 650, Rs 1200 and Rs 1500 per metric tonne for the successive slabs respectively. For paper mills with clearances exceeding 24,000 metric tonnes or larger paper mills having bamboo or wood pulp plant, the rate of duty will be 10 per cent ad valorem plus Rs 850 per metric tonne. Finer varieties of paper are being excluded from these reduced rates. These schemes will be in force from April 1, 1986, and will cost the exchequer Rs 6 crore in a year.

It is proposed to have a single uniform rate of excise duty of 30 per cent ad valorem in respect of 3 major thermo plastics, namely, low density polyethylene, high density polyethylene and polypropylene. The loss in excise duty would be Rs 7.24 crore. We are however, revising the customs duty suitably to make the step revenue neutral.

There will be a revenue gain of Rs 7.52 crore in customs duties. Engineering plastics are raw materials which will have an increasing use in India. It is proposed to have a concessional rate of 60 per cent ad valorem of customs duty (basic plus auxiliary) in respect of 4 such specified engineering plastics. The additional duty of customs as appropriate will, however, continue to be levied. It is also proposed to provide for uniform rate of excise duty of 35 per cent ad valorem in respect of plates, sheets, films and foils of plastic materials and these items are being brought under the general scheme of small scale exemptions.

### Drug reliefs

In consonance with the drug policy, I propose to exempt 23 specified drug intermediates from the levy of additional duty of customs, thereby reducing the total customs duty on these to 110 per cent ad valorem. Revenue sacrifice will be Rs 1 crore.

I also propose to exempt additional 41 life saving formulations from excise duty. This will cost the exchequer Rs 15 crore.

The total customs duty on additional five medical equipments of consumable nature is being abolished. In the last budget exemption from customs duty in excess of 45 per cent was provided in respect of 10 specified items of sophisticated medical equipment. I propose to enlarge this list substantially by adding 101 items of medical equipment and exempt them from duty in excess of 40 per cent ad valorem.

In order to encourage domestic production of medical equipment, I also propose to allow a concessional rate of customs duty of 40 per cent ad valorem in respect of components for manufacture of 15 identified medical equipment.

In the 1985 budget, we had given a total exemption from customs duty in respect of consumable goods imported for scientific research by public funded research institutions upto the value of Rs 50,000 as a measure to encourage indigenous research and development effort. I propose to remove the ceiling. The revenue sacrifice would be Rs 5 crore.

These measure will involve a loss of Rs 28.24 crore in excise duties and Rs 0.48 crore in customs duties.

### Duty rationalisation

Some of the other rationalisation proposed are the following:-

(A) I wish to give relief to some items of daily use of the common man. We are abolishing excise duty on stoves using kerosine and wood. The value limit of complete excise exemption in case of footwear is being raised from Rs 30 per pair to Rs 45 per pair. Excise duty is also being abolished on brushes, combs, umbrellas, chalks and similar other materials.

B) The long term fiscal policy recognises that cesses levied as excise duties contribute to the multiplicity of taxes. As an endeavour to reduce the number of these cesses, it has been decided to dispense with the cess on cotton, copra and vegetable oils. The ministry of agriculture will take appropriate action in the matter. The loss of the exchequer on this account will be Rs 5.90 crore.

C) Ship breaking industry is an important source of scrap for our steel industry. It is proposed to fix an effective rate of customs duty on ships imported for breaking up at Rs 1,400 per LDT and to exempt them from the auxiliary and additional duties of customs. The effective rate of excise duty of Rs 365 per metric tonne would be available for materials obtained by breaking up of ships which have suffered the customs duty of Rs 1,400 per LDT.

D) In recognition of the vital role of newspapers, I am reducing import duty on 4 items of printing equipment. It is my hope that they will not accuse me of influencing the press.

Some of the other amendments which are being made are the following:-

(i) The effective rate of basic customs duty on caustic soda is being fixed at Rs 3,500 per metric tonne, and we are exempting it from auxiliary and additional duties of customs.

(ii) Import duty in respect of synthetic organic dye stuffs and certain other dyes is being increased as a measure of protection, from 100 per cent to 150 per cent ad valorem.

(iii) The effective rate of basic customs duty on PVC resin is being fixed at Rs 10,500 per metric tonne.

(iv) We wish to encourage the production of iodised salt in the interest of implementation of the national goitre control programme and, therefore, iodine imported for the production of iodised salt would receive the concessional rate of import duty of 25 per cent ad valorem.

(v) Specific rates of excise duty are being introduced for manual typewriters and leather cloth.

(vi) The excise duty on marine plywood and aircraft plywood as an anti-avoidance measure is being increased from 10 per cent to 20 per cent ad valorem. Effective rates of excise duty for match boxes containing 300 sticks per box are being provided.

(vii) Exemption from excise duty is also being provided in respect of ores, slag and ash, wood pulp, inorganic chemicals used in manufacture of fertilisers, clinkers used in the manufacture of cement.

These measures will involve a revenue gain of Rs 26.97 crore on the customs side and a loss of Rs 3.44 crore on the excise side.

### **Resource mobilisation**

I will now come to important measures of resource mobilisation. My first proposal is to rationalise the structure of auxiliary duties of customs. At present, there are 11 slabs of auxiliary customs duties. While the specific duty on crude pet-

roleum will remain as at present, it is proposed to reduce the existing 11 slabs into three slabs, namely, nil, 25 per cent and 40 per cent. This will give us a revenue gain of Rs 190 crore. However, removal of auxiliary duty from certain Gatt-bound items would mean a loss of Rs 9 crore.

Earlier in my speech, I had referred to the importance of providing adequate support to our capital goods industry which is pivotal for self reliance. With this end in view, it is proposed to increase the general machinery rate of basic customs duty by 10 per cent. A similar increase is also being made in the general project rate from 45 per cent to 55 per cent ad valorem.

As a complement to this, it is proposed to reduce the import duty on components of capital goods by 5 per cent. This will ensure that the import duty on components will now stand at 15 per cent below the import duty on the complete machines. This differential, as recommended in the long term fiscal policy, would go towards greater production of capital machines including computerised numerically controlled machine tools in India instead of their total imports. While the reduction in rate of components will lead to a revenue loss of Rs 50 crore, the increase in machinery rate will give Rs 124 crore and the revision of general project rate Rs 120 crore.

In respect of 32 machines tools where domestic production has been established, the customs duty is being raised to 110 per cent. Again, 91 machine tools and instruments have been identified where there is negligible domestic production and it is proposed to reduce import duty on these machines to 35 per cent ad valorem (basic plus auxiliary). There will be a revenue sacrifice of Rs 9 crore in customs duties.

At present there is a concessional rate of duty on fuel efficient cars which comes to about 15 per cent ad valorem or less. As I have mentioned earlier, full Modvat will be extended to the

automobile industry and the new Modvat rates for fuel efficient cars would be 20 per cent ad valorem. I feel that such cars and their purchasers can bear an increase in the rate of duty by 5 per cent.

The current rate of duty for non-fuel efficient cars is around 25 per cent. The Modvat rate of such cars would be 30 per cent. It is proposed to increase the excise duty on non-fuel efficient cars also by 5 per cent so that the final duty would be 35 per cent. A concession of excise duty was given for non-fuel efficient cars used as taxis. It is proposed to fix this rate at 30 per cent.

Under the new excise tariff, both the chassis of the vehicles and the body building of the motor vehicles are chargeable to excise duty. Full Modvat is available for the chassis to the body builders in the final vehicle. Body building imparts an added value to the chassis and it is proposed to levy excise duty of 20 per cent on the final vehicle also.

The net gain of the revenue of the above proposals would be Rs 40 crore.

### **TV duty up**

The duty incidence on TV sets has been rather low. Substantial concessions in customs and excise duties have been given in the past in respect of raw materials and components for the electronics industry in general. Duty is proposed to be enhanced from Rs 900 to Rs 1,500 per set in respect of colour TV sets of screen size exceeding 36 cms. This proposal will lead to a revenue gain of Rs 48 crore in a year.

I also propose to provide for levy of additional duty of customs on TV sets imported as baggage. This increase would restrict the import of TV sets in baggage to some extent.

The gain in revenue in the customs duties will be Rs 30 crore in a year.

I propose to increase the duty on airconditioners and replace the existing duty by a specific duty to stop evasion. It is proposed to levy a specific rate of duty of Rs 8,000 per airconditioner upto 1.5 tonne capacity. The rate would be Rs 10,000 per airconditioner above 1.5 tonnes and upto 3 tonnes capacity and Rs 15,000 per airconditioner thereafter upto a capacity of 7.5 tonnes. A uniform duty of 60 per cent ad valorem will now be levied on all parts and accessories of refrigerating and airconditioning machinery. The duty on compressors for airconditioners would be specific at Rs 4,000 per compressor. As we are extending full Modvat relief to the industry, I propose to dispense with all end-use exemptions except for government hospitals. The special scheme of relief to small scale units in this sector will continue. This measure will yield a revenue of Rs 25 crore.

### **Tariff yields**

Copies of notifications giving effect to the changes in customs and excise duties effective from the March 1, 1986, will be laid on the table of the house in due course.

Apart from the above proposals, I have proposed some amendments in the finance Bill seeking to effect some changes in the new customs and excise tariffs. These changes are based on the feedback we have had from the trade and industry as well as the field formations since the enactment of these two tariffs and generally seek to preserve the position that existed under the old tariffs.

My proposals in respect of customs and excise duties outlined above are likely to yield additional revenue of Rs 499.92 crore from customs duties and Rs 253.78 crore from excise duties. The concessions and reliefs aggregate Rs 93.11 crore on the customs side and Rs 193.37

crore on the excise duty. The net additional revenue from customs duties thus would be Rs 406.81 crore and that from excise duties Rs 60.41 crore. In the excise duties, the centre's share would be Rs 24.19 crore and that of states Rs 36.22 crore. In the total net additional yield of Rs 467.22 crore, centre's share would be Rs 431.00 crore and that of the states Rs 36.22 crore.

I had earlier mentioned that the budget deficit at the existing rates of taxes would be Rs 4095 crore. The proposed tax measures, taken together with reliefs, are estimated to yield net additional revenue of Rs 445 crore to the centre. This will leave an uncovered deficit of Rs 3650 crore. In relation to the size of our economy and the stock of money, the deficit is reasonable and non-inflationary. It is also significantly lower than last year.

With this, Mr Speaker I have come to the end of my task. My principal priorities in this budget were to strengthen the public sector, to provide a further thrust to the anti-poverty programmes, to promote self-reliance, and to provide relief to the common man. I have provided an increase in the plan by 20.5 per cent despite resource constraints. We will be financing over 40 per cent of the seventh plan in the first two years in real terms, which is an achievement in itself. I have increased outlays for major anti-poverty programmes by nearly 65 per cent in keeping with our socialist goals. New schemes are being introduced for the benefit of rickshaw pullers, cobblers, sweepers, porters and others among the urban disadvantaged groups. Interest rates on provident fund contributions is being increased for the benefit of workers and the self-employed. I have provided tax relief to the fixed income groups. And I have given incentives for import substitution and export promotion, besides introducing several mea-

asures for rationalisation.

This budget is just one step forward. Finally, in the immortal words of Mahatma Gandhi:

"In times to come to people will not judge us by the creed we profess, or the label we wear, or the slogans we shout but by our work, industry, sacrifice....."

I commend this budget to the House.

## Finance Minister Talks to Press

Bombay THE TIMES OF INDIA in English 2 Mar 86 p 1

[Text]

**The Times of India News Service  
NEW DELHI, March 1.**

**T**HE Union finance minister, Mr. Vishwanath Pratap Singh, is in favour of "open budgeting".

This year itself, the long term fiscal policy (LTFP) and his release of revised budget estimates on the basis of plan projections had stolen much of the thunder and excitement of the annual budget presentation.

At the post-budget news conference here today by top officials of the finance ministry, at which he made an unscheduled appearance, Mr. Singh referred to the "budget at a glance" document released yesterday, which gives ministrywise phasing of the seventh plan outlays for the five-year period.

The phasing has been worked out on the basis of 18 per cent of the total outlay in the first year and 19 per cent, 20 per cent, 21 per cent and 22 per cent respectively in the succeeding years.

### DOUBTS REMOVED

The figures thus worked out are brought up to current prices, for illustrative purposes, at an assumed price increase of five per cent each year.

Mr. Singh said the exercise would remove any doubts of the planning commission and the Central ministries as to the outlays the finance minister would be obliged to find.

He would welcome a debate over whether the people would want higher outlays in the succeeding three years and, if so, how the money was to be collected.

The minister considered the budget as much more than mere tax proposals. It reflected the economic policy of the government — how the government

would spend the money, on what and on whom, he pointed out.

Mr. Singh said the main thrust of his budget was on alleviation of poverty which, he felt, was much more important than variations in tax structure.

The allocation for anti-poverty programmes of Rs. 1,450 crores was the highest-ever in any single year. It was 65 per cent higher than what the seventh plan has proposed for 1986-87.

Among the officials present at the news conference were the finance secretary, Mr. S. Venkitaramanan, the revenue secretary, Mr. V. C. Pande, and the chief economic adviser, Dr. Bimal Jalan.

Asked why the budget did not give enough incentives for housing, Dr. Jalan said there were some important economic issues involved.

There was no point in giving concessions for buying houses when the prices were so high and few could think of acquiring houses with white money. If black money was openly allowed in construction, it would drive out white money.

Mr. Pande said there would not be any price increase for final products meant for the common man after the introduction of the modified value added tax (Modvat).

But for the affluent sections, the prices of some items would be higher. The basic advantage of Modvat would be that there would be no "duty on duty".

He estimated that the reduction in the price of a Telco truck would be about Rs. 3,000. From the point of view of revenue, the impact of the duty would be neutral.

Another highlight of the budget was the strong package of incentives for boosting edible oils and oilseeds production.

The proposal to formulate a long-

term price policy for agriculture, it was stated, was expected to give an opportunity to the farmer to choose the cropping pattern.

"We want to avoid a situation in which there is surplus wheat for export, but the country has to import edible oils," the finance minister said.

UNI adds: The higher interest of 12 per cent on provident fund accretions announced in the budget will apply to all deposits made with the government.

### Housing plan

Clarifying this, a spokesman of the finance ministry said the rate of interest that should be payable to the contributing employees was yet to be decided.

PTI adds: Mr. Singh said one million houses would be constructed under the "Indira grih nirman yojana" (housing scheme for the scheduled castes and scheduled tribes) during the seventh plan. The assistance for each house would range from Rs. 6,000 to Rs. 10,000.

Elaborating the point, Mr. Singh said the budget deficit bore a relationship with the GDP and the total money supply in the country and said: "We can absorb the amount of deficit." The total uncovered deficit in the budget is Rs. 3,650 crores.

### AID TO EXPORTERS

Explaining how Modvat will benefit exporters, Mr. Pandey said with the arrangement for set-off the manufacturer would have the freedom to avail of credit of duty on inputs and use it on any excisable product manufactured by him and to export under bond from his factory without having to avail of any drawback of excise on customs duty, a procedure which normally entailed delay.



## HINDU Analyst Comments

Madras THE HINDU in English 1 Mar 86 p 1

[Article by G.K. Reddy]

[Text]

NEW DELHI, Feb. 28.

The Finance Minister, Mr. Vishwanath Pratap Singh, seemed immensely satisfied with himself as his Congress (I) colleagues and even some Opposition members congratulated him for presenting a good budget with several sound proposals for getting rid of the many irrationalities and irksome constraints in the tax structure, besides providing well deserved reliefs to the right quarters for removing some glaring anomalies in the fiscal system.

He took a little over two hours to read the inordinately long budget speech, but the members in the packed House and the visitors in the crowded galleries did not get restive since his proposals contained many innovative features that sustained their interest.

The Prime Minister, Mr. Rajiv Gandhi, sat in his seat smiling confidently and nodding his head approvingly as the Finance Minister waded through the marathon text, as though he was the co-author of this complex and highly technical budget which by and large sought to rationalise the indirect taxes without sacrificing revenues. The big deficit of Rs. 3,650 crores did not seem to bother either of them since any attempt to cover the gap with stiffer doses of additional taxation would have had an adverse political impact in the wake of the widespread public criticism of the recent price hikes.

**Opposition disappointed:** The hotheads in the Opposition who were waiting impatiently to maul the Finance Minister and denounce the Government fiercely for imposing fresh burdens on an already overtaxed nation were visibly disappointed that the new levies amounted to about 10 per cent of the estimated deficit. They also appeared to be a bit confused over the implications of the modified value added tax that had been introduced for the first time with a limited application at present, since no-

body including the authors of the scheme seemed to be very clear about how it would work under Indian conditions.

**Industrialists relieved:** Top industrialists and business magnates of the country who listened intently to the Finance Minister's speech were visibly relieved that he had been more than generous towards them despite the socialist rhetoric of the budget. They welcomed warmly the many concessions he gave them in the form of simplified levies and production-oriented incentives along with concessions on wealth tax and capital gains computation.

The increases in excise duties on consumer durables like automobiles, airconditioners, refrigerators, television sets and even better qualities of clothing were evidently done as a political gimmick to highlight the socialist character of the budget. But the Government cannot be unaware of the fact that the really affluent would not be affected since they have enough black money to pay for such purchases or their companies foot the bill for the acquisitions.

**Nominal benefit:** The Finance Minister highlighted the few marginal sops he gave to the middle classes in the shape of increased standard deduction on salary incomes, higher interest on provident fund contributions, exemption of notional income from self-occupied houses and lowering the tax on house rent allowances. But the salaried classes at the lower levels were disappointed that he did not raise the general income-tax exemption limit, although the overall tax burden has been reduced to give them some nominal benefit.

The economists who were expecting a tougher budget were pleasantly surprised by Mr. Singh's decision to put up with a deficit of Rs. 3,650 crores rather than attempt to fill at least half of it through heavy taxation in the name of containing inflation through resource mobilisation. The experts welcomed the big outlays for socio-economic programmes.

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CSO: 4600/1517

# BAKHTIAR CLAIMS REGIME RENOUNCED BY CITIZENS

London KEYHAN in Persian 6 Mar 86 pp 1, 3

[London KEYHAN WEEKLY in Persian; founder & publisher Dr Mesbahzadeh]

[Text] Dr Shahpur Bakhtiar, the leader of the National Resistance Movement of Iran, who travelled to this country (the U.S.) to meet and have discussions with U.S. political and academic personalities, in a 25 February speech before the American Council on Foreign Relations in Los Angeles, called on the United States and European countries to do all they can to end the Iran-Iraq war and bring the two sides to the negotiating table.

In his address to American political, academic, and economic personalities, during which he condemned the savagery and cruelty of the Khomeyni regime and its obstinacy in continuing the war, Dr Bakhtiar called the regime a disgrace to the human race and to Iran's Islamic traditions.

The leader of the National Resistance Movement of Iran outlined possible ways for achieving a peaceful settlement and said: more than 500 thousand Iranians have perished in this war. Among the killed are large numbers of children and youngsters who Ayatollah Khomeyni's regime use as cannon fodder and to clear away mines in the front lines of slaughter.

Bakhtiar drew the attention of the American political, academic and economic personalities to the recent territorial advance made by the Islamic Republic into Iraq and said, this action threatens Kuwait's territorial integrity.

Bakhtiar said: the political stability of the Persian Gulf countries and the strategic importance of the Persian Gulf region, are matters that cannot be left for the future.

The leader of the National Resistance Movement of Iran, in outlining his ideas for changing the government in Iran said: Khomeyni needs the war in order to stay in power.

His insane-like calls upon the people of Iran to participate in the war and to become martyrs on the front lines, are intended only to divert the people's attention away from their basic needs such as foodstuffs which are rationed.

Two million Iranians are homeless. Education has fallen on black reactionary days, and now that the price of oil has caused a 30 percent fall in national income the chronic incapacity (weakness) of Iran's economy has become more manifest. The only area of growth in Khomeyni's Iran is the digging of new graves and the filling of prisons with people.

Bakhtiar stated that: as far as we know, the end of the Islamic regime is near. Many of the moslem clergy with whom I am in continuous contact have turned away from the Khomeyni regime. They have formed a secret organization to put a stop to Khomeyni's religious excesses and manifest violations of human rights in Iran. Bakhtiar said: Khomeyni has presented Islam as being a religion of suppression (punishment) and strangulation, whereas Islam is a religious of kindness and forgiveness. During the last 3 years, the moslem clergy opposed to Khomeyni's regime all accross Iran have joined the religious leaders who have countered Khomeyni's heresies.

Bakhtiar informed American personalities that all classes of Iranian people are now disillusioned by the Khomeyni, the bazaaris and the tradesmen, the armed forces regulars, the tribes and the clans as well as the Iranian masses now support him (Bakhtiar) and the National Resistance Movement of Iran whose roots and branches are spread all over Iran.

Bakhtiar said: every day we broadcast informative radio programs to the Iranian people. Our military plans have progressed well, and we are in continuous contact with all those who will have an important role in the future battle.

Dr Bakhtiar, expressing his concern, said: if the nationalist and moderate elements do not quickly establish complete control over Iran, the forces of international communism which were driven underground by Khomeyni's intimidation, once again will emerge as a threat, ready to ambush Iran's freedom and general stability in the region.

Bakhtiar said: those who value freedom, the rule of law, a democratic structure, and Iran's religious heritage, must prepare themselves now to face real dangers for the future of their homeland.

Following his speech before the American Council on Foreign Relations in Los Angeles, Dr Bakhtiar left for Washington, the capital of the U.S.

In Washington, Bakhtiar had a large number of meetings and confidential discussions with distinguished American leaders and Iranian personalities, after which he returned to Paris.

13041/12951  
CSO: 4640/223

## NATIONAL ASSEMBLY'S FIRST YEAR PERFORMANCE REVIEWED

Karachi DAWN in English 14 Mar 86 pp 1, 22

[Article by Hasan Akhtar]

[Text]

ISLAMABAD, March 13: The first year of Pakistan's sixth National Assembly since independence, which comes to an end with the expected last sitting of its fifth session on Friday, may not be regarded a spectacular parliamentary year, yet its importance as a bridge between the prolonged martial law, lasting for almost nine years and a parliamentary democratic system, cannot be denied.

During its mandatory 160 sittings, although their number is reduced considerably if the actual meetings are taken into account, the National Assembly most importantly adopted the controversial Eighth Constitutional Amendment Bill on which mainly depended the crucial transition from military rule to a civil parliamentary government.

Although there can be validly more than one opinion on the wisdom of accepting the compromise on the keenly contested and hotly debated Eighth Constitutional Amendment Bill, those of us who were in close touch with the parliamentary exercise, were left in no doubt, as Haji Saifullah Khan, MNA from Rahimyar Khan said once to newsmen, that any further attempt to stretch the issue would have possibly led the nation to square one — continuance of martial law.

The present house, which like its predecessors, is dominated by feudals who now formally declare themselves as "agriculturists," was

in the first place elected on non-party basis. But in no time, Prime Minister Junejo was convinced that neither the parliamentary democracy could co-exist with martial law nor could parliamentary house survive without political parties. Thus it adopted the second important amending bill providing for revival of political parties under a new regime and discipline. No doubt this piece of legislation evoked equally strong controversy.

But apart from these two amending pieces of legislation, the house presented a dismal record of its legislative business. As Prof. Khurshid Ahmad, Jamaat-i-Islami member of Senate from Sind had stated, once, it reflected poorly on the parliament's first year performance that neither house had done any original legislative business. No new enactment either by the Government or private members had been done. As Prof. Khurshid had remarked this was possibly the only parliament in the world which had such a record.

What was quite an outstanding feature of the first year business in the House was that its members, though elected on individual basis, asserted themselves against the hitherto pre-eminence of the military rule. Although the House was a creation of the martial law, its inmates took pains to erase the impression that they were sub-

servient to the military rule.

The National Assembly Speaker, Mr Fakhr Imam, whose election to the chair against the strongly-backed candidature of seasoned parliamentarian, Khwaja Mohammad Safdar, MNA from Sialkot, was indeed the first major surprise after the formation of the new Assembly in March last year. Like the members of the house for most of whom it was the first time to be there, Mr Fakhr Imam was obviously determined to make up for his lack of experience as a parliamentarian by his studious and avid readings of parliamentary practices, conventions and history.

In spite of the assertive mood of the National Assembly, the Speaker who confessed that he felt handicapped at times because of not having been a law graduate, gave a few significant rulings which reflected his calculated anxiety to combine the demands of the objective situation with the requirements of supremacy of the elected House. In this context, his

ruling on a privilege motion relating to the President's reported observations about the parliamentary track record of the members of the parliament, stood out as a singular example.

Where the present National Assembly seems to be still on a weak wicket, is the party discipline. On most of the days when the House met, good part of the proceedings would be taken up by legal wranglings and quibblings, often of no great importance. On many an occasion, the members would give themselves up to their emotions rather than to the parliamentary practices. Even the Speaker found it difficult to bring them back to the track.

Though the party system has been revived and Prime Minister Junejo has formed his ruling Muslim League Parliamentary Party, yet its members quite often act independently. That the ruling party, has still to enforce party discipline, was manifest in an uproarious walkout earlier this week on the arrest of an MNA from Mardan after the Gadoon firing incident.

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CSO: 4600/249

PRO-KHAR PPP MEN MEET

Karachi DAWN in English 12 Mar 86 p 10

[Text]

LAHORE, March 11: A meeting of pro-Khar PPP workers, chaired by Mr Mahboob Ahmad Butt, said here on Tuesday that Malik Ghulam Mustafa Khar was sent abroad by late Chairman Zulkar Ali Bhutto himself. The instructions to the former Punjab Governor and the Chief Minister were given when Mr Bhutto was staying at the residence of Mr Sadiq Husain Qureshi, also a former Chief Minister and Governor of the province, after his arrival here from Multan.

Mr Butt criticised the party's Secretary-General Gen. (Retd) Tikka Khan for "misleading" statement and "concealing" facts. According to him Tikka Khan was not aware of the fact that Mr Bhutto was not in jail when he told Mustafa Khar to go abroad. He said that Mr Khar was a senior party leader, who had long standing services for the party cause. Tikka Khan must not issue "concocted" statements, he added.

Meanwhile, the Khar-group of the party has decided to undertake a tour of various districts of the Punjab. A delegation, headed by the party leader Mr Mustansar Asad, is leaving for Multan and Dera Ghazi Khan divisions to mould the public opinion in favour of Malik Ghulam Mustafa Khar.

The delegation will also call on Malik Ghulam Miladi Khar, a brother of Mustafa Khar, to discuss certain "important matters".

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CSO: 4600/249

# FORCE TO POLICE COLLEGE DORMITORIES PLANNED

Karachi DAWN in English 12 Mar 86 p 10

[Text]

KARACHI, March 11: Formation of a separate police force is under consideration of the Provincial Government for maintenance of law and order in the educational institutions and student hostels in Karachi.

The proposal is being discussed at different levels, and its details will be worked out after a careful study of the pattern of violence.

The force is expected to be drawn from the existing police force and would be given special training for handling students indulging in violence.

One task of the force will be to monitor activities of students in the hostels and stop misuse of hostel facilities by undesirable elements.

Police officers will check the entry of non-hostelers and deprive anti-socials of using the student hostels as sanctuaries.

Meanwhile, the Principal of Sind Medical College has appointed wardens for the SMC student hostels.

It is expected that non-Karachi and foreign students will be given hostel facilities after submitting a certificate from their parents, MNAs, MPAs or Chairman of the local councils.

**HANDING OVER:** The Karachi University authorities said possession of the hostel rooms may be handed over to the students on April 1 after the reallocation.

The Senior Warden of the

Karachi University hostels, Assistant Prof Shamim Hashmi, told *Dawn* on Tuesday that security guards will be deployed at the gates of the hostels and there will be a Resident Warden and a Warden for all the 11 blocks of the four boys hostels.

Applications for hostel accommodation are to be submitted before March 22.

According to the procedure already announced parttime students or those rusticated or debarred from any institution, wanted by the police in any legal case, or convicted by a court of law are not eligible.

About the period of stay at the hostel, he said those studying in B.A./B.Sc. Honours and M.A. Previous will be allowed to stay for three and two years respectively. This tenure is extendable by six months at the most for those who fail in an examination.

Separate identity cards will be issued to the hostel dwellers. They will not be allowed to enter the hostel after 11 p.m.

For the 459 available rooms to accommodate over 600 eligible students, allotment will be on a seniority basis.

Replying to a question about foreign students, Prof Shamim said that they will also be accommodated with the Pakistani students.

/9274

CSO: 4600/249

## EXPERTS SELECT SITES FOR HYDRO POWER POTENTIAL

Karachi DAWN (BUSINESS supplement) in English 14 Mar 86 p I

[Text]

LAHORE, March 13: West Germany has chalked out a comprehensive plan of electricity generation in Pakistan, and identified eight sites on the existing barrages and rivers.

With a minimal cost, these projects would generate about 300 megawatt (mw) of additional electricity from 1989 to 1995.

This was disclosed by Mr Herbert Kuntz project manager power development of Pakistan-German Technical Cooperation, now engaged in harnessing the existing available infrastructure for power generation and training of the staff for power conservation.

A team of journalists was taken around various Nandipur Power Plants Design Centre and to Faisalabad Training Institute.

**HYDRO-POWER:** According to details made available, about 70 per cent of the electricity generated in Pakistan came from hydro-power stations. Studies carried out by German experts said that quite substantial hydro power potential was lying idle in all over the Punjab and as well as in some areas of Sind and NWFP.

The studies have revealed that finance required to tap these resources would be meagre as compared to investments in huge dams.

Studies by the German experts said that there were numerous small water falls at the big river barrages and high potential of hydel power generation existed within this canal network.

**STUDY:** During 1984, ten pre-selected sites were studied, pre-

liminary layout and cost-evaluation executed and a ranking list for the final eight possible power stations was established. The studies have further revealed that these potential sites would possibly generate about four billion kwh of electricity per year. When completed these sites would substantially contribute in narrowing the gap between demand and supply of power.

The eight sites thus selected are for further surveys to be conducted during the year 1985-86. It would be for the first time that the proper technology to harness this sort of energy resources would be introduced in Pakistan.

**SITES:** The sites selected for the purpose are

- Chashma Barrage on River Indus, on the border-line between Punjab and NWFP. The power station emerging here would generate about 250 MW of electricity and would be third or fourth largest in size in Pakistan.

- Second site is Chashma-Jhelum-Link, tail, at this site a water-fall of nearly 14 meters would generate about 40 MW and would feed electricity to the centres such as Khushab and Sargodha.

- Third site is Rohri-Canal. This site would produce about 12 MW to be fed into the grid on the direct vicinity of Rohri/Sukkur and Khairpur.

Besides these three big sites there would be Jinnah Barrage, Taunsa Barrage and Guddu Barrage on River Indus as well as two

sites in the course of B-J, link and connecting water-way between Ravi and Sutlej rivers in Punjab, south of Lahore. The first three power stations would be completed and would start operation between 1989 to 1992 while the remaining five would be really by the year 1995.

**LEAKAGES:** In addition to check leakages in the whole system of WAPDA's generation, transmission and distribution, the West Germany has started a training programme for WAPDA personnel. Modern techniques including simulators have been introduced for the training of junior engineers including SDOs and Supervisor. An amount of about Rs. 70 million has been provided by the German agency for this purpose.

**OTHER PROJECTS:** In another project, not related with WAPDA or electricity, the West Germany is developing a sound base for milk production and live stock breeding in Pattoki area.

For this purpose about 40 villages have been selected. This scheme has covered about 12,000 farming and landless households in four union councils. It is a pilot project to serve the Livestock department of the Punjab government and to enhance its base of veterinary health and artificial insemination and also to establish non governmental organisations on rural level.

The project has already started and milk is being supplied to dairies in the Punjab.